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PUBLIC UTILITIES COMMISSION STATE OF CALIFORNIA

ANNUAL REPORT

PUBLIC UTILITIES COMMISSION STATE OF CALIFORNIA

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LEONARD M. GRIMES, JR., Commissioner

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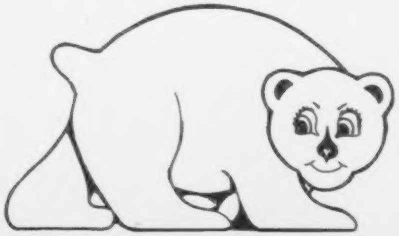

PUBLIC UTILITIES COMMISSION STATE OF CALIFORNIA

1981-82 FISCAL YEAR ● JULY 1, 1981 TO JUNE 30, 1982

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LETTER OF TRANSMITTAL

December 1, 1982

The Honorable Edmund G. Brown Jr.
Governor of California

This past year, the California Public Utilities Commission reached some of the most controversial decisions in its history. The Pacific Gas and Electric, San Diego Gas and Electric, and General Telephone rate case decisions evoked unprecedented protests from consumers and complaints from the utilities that the rate increases were insufficient to attract investor capital. Clearly, achieving a fair balance between the interests of ratepayers and utility stockholders in a time of uncertain economic conditions and increasing fuel costs is becoming exceedingly difficult. The Commission is faced with deciding increasingly complex cases, while adapting to a climate of turbulent change in the industries it regulates.

We wish we could report that the worst of the rate increases are over. Unfortunately, due largely to developments at the federal level and to factors in the nation's economy, rate stabilization continues to be an elusive goal. The forecasts for interest rates, to which capital-intensive utilities are especially sensitive, are uncertain. We expect natural gas rates and monthly telephone rates to climb precipitously in the months and years ahead. Phased natural gas deregulation has caused far more rapid price increases than those originally anticipated. In telecommunications, the federally imposed terms of settlement for the divestiture by American Telephone and Telegraph Company of its 22 operating companies, including Pacific Telephone and Telegraph, threatens the Commission's goal of continued, universally affordable telephone service.

Basic changes are taking place in the investor-owned utilities and transportation companies regulated by the Commission. Expanded conservation, cogeneration, and power production from alternative energy sources are fundamentally changing the resource plans of the electric utilities. In transportation, the Commission continues to implement a program of reregulation, encouraging greater price competition. It is an unprecedented challenge for the Commission to keep state regulation responsive to economic conditions and to these basic transformations in the utility industry.

PUBLIC PARTICIPATION IN THE RATEMAKING PROCESS

As utility rate case decisions become more controversial, and utility bills make up a greater share of customer's budgets, the need for greater public understanding and participation in the regulatory process becomes critical. During the last half of fiscal year 1981–82, large energy rate increases, combined with severe recessionary pressures on ratepayers and unusual winter weather, sparked a powerful demonstration of grass-roots protest of the Commission's ratemaking decisions. Responding legislators proposed dozens of new laws which in one way or another were intended to "bring utility rates under control." Ratepayers became far more active in hearings before the Commission, and citizens joined established and new organizations to participate in Commission proceedings.

As a result, the Commission's efforts to accommodate its formal procedures to increase ratepayers' participation took on a new vitality. Staff attorneys assigned to each important utility rate proceeding assisted a larger-than-normal number of public participants who wished to submit statements on rates and quality of service at public meetings and hearings. The Commission's Consumer Affairs Office processed an unprecedented 86,000 customer complaints during the fiscal year.

This year, the Commission took steps toward providing financial compensation for certain types of public participation. Under the provisions of the Public Utilities Regulatory Policy Act of 1978 (PURPA), the Commission promulgated a set of rules under which, in certain circumstances, members of the public who participate effectively in rate proceedings for electric utilities can be compensated for their costs. The Commission has also opened an investigation on its own motion to ascertain its jurisdiction to award such fees to public participants in other proceedings.

In August of 1981, the first of such awards was made.

Toward Utility Rate Normalization (TURN), a consumer organization, was awarded $44,383 for legal fees. The Commission determined that TURN had made significant contributions toward developing a new cost allocation policy for a utility with multi-state operations.

The Commission continues to seek to adapt its process to respond to the public and the Legislature's concern for greater public access to the regulatory proceedings. During the year, Commissioners and staff appeared at a record number of public meetings and hearings around the state, to explain the Commission's actions and to receive recommendations from citizens. It is anticipated that the coming fiscal year will see the need for even more of this kind of activity.

ECONOMIC FACTORS

Financing costs, high interest rates, and federal tax policies significantly impacted utility rates during the 1981–82 fiscal year. Because of the need for capital to carry out major construction programs, the Commission authorized the utilities to issue and sell equity and debt securities totaling $5.7 billion, an increase of $1.6 billion over the previous fiscal year.

Passage by Congress of the Economic Recovery Tax Act of 1981 forced the Commission to revise its longstanding policy of "flowing-through" tax benefits to ratepayers. This change caused substantial rate increases for a number of electric and water utilities. For example, $177 million, representing twenty percent of the controversial PG&E general rate case increase, was directly due to federally imposed changes in tax treatment mandated by the Tax Act.

ELECTRIC UTILITIES

A major transformation has occurred in resource planning for the state's electric utilities. In 1971, California utilities were projecting an annual electrical demand growth rate of over seven percent. This year, both the utilities and the State Energy Commission were projecting electrical demand growth rates of less than two percent per year.

Conservation is now regarded by almost everyone as the best option for holding down costs, or at least for holding down the rate of increase in energy costs. Efforts of California citizens, government agencies, and the utilities to accelerate conservation are succeeding. At the direction of the Commission, California electric and gas utilities have implemented statewide home weatherization programs. These programs provide loans at eight percent interest, and, in some areas, zero interest (the "ZIP" program), for residential ceiling insulation and other conservation measures. These programs, combined with a variety of others sponsored by the California Energy Commission, the utilities, and the PUC, are reducing demand growth, improving energy efficiency, and saving ratepayers money.

Of special note among the many innovative programs launched to assist consumers to conserve and lower their energy bills is the ongoing Solar Water Heating Demonstration Program (OII-42). The major electric and gas utilities were authorized by the Commission to offer financial incentives in the form of bill rebates or low interest loans to customers who wished to install solar systems. This limited program, to end September 1983, was designed to test in real world conditions the efficacy of solar water heating systems in a utility resource plan. To date over 50,000 new systems have been installed representing the largest and most successful effort of its kind in the nation. Not only has a measurable savings in energy been experienced, but the growing California Solar Industry has benefited from the stimulation of demand for their products and services.

Another factor in reducing the need for utilities to construct large numbers of new electrical power plants is the expansion, encouraged by the Commission, of alternative energy development and cogeneration by private nonutility companies. This year the Commission issued its OIR-2 decision, which establishes prices utilities will pay to purchase electricity from these non-utility private entities. These new energy sources, such as wind, geothermal, and small-scale hydroelectric power, are expected to represent an increasing share of California's electric generation "mix" in the coming decade. They will play a major role in reducing our dependence on oil and gas-fired generation, and enable utilities to defer construction of expensive, capital-intensive new power plants.

Fuel costs for oil and gas comprise more than 60 percent of the cost of generating electricity in California. Because these costs are so significant, the Commission has directed its staff to devote special effort to scrutinizing fuel costs.

On April 28, 1982, the Commission requested Pacific Gas and Electric Company to suspend fuel oil deliveries by Chevron Oil so as to permit the utility to use lower-cost natural gas for electric generation. In another major action, the Commission found that San Diego Gas and Electric Company had made imprudent oil purchases from a Houston-based supplier. The San Diego Gas and Electric disallowance alone represents a savings for ratepayers of $30.6 million.

NATURAL GAS

Among the states, California is second only to Texas in its consumption of natural gas. Our seven million residential, commercial, and industrial natural gas customers use 10 percent of the volume of gas consumed nationwide, and 16 percent of the nation's residential gas customers live in California. As a result, California consumers, including residential, business and agricultural customers, are severely impacted by increases in gas prices.

Under federal law, namely the Natural Gas Policy Act (NGPA) of 1978, owners of some gas wells are allowed to increase their gas prices according to formulas set by Congress. In the mid-1970s, the nation had experienced shortages in gas supplies, and Congress decided that prices for newly-discovered gas should be increased to encourage gas exploration and production. Today, we have abundant gas supplies, but as a result of the provisions of the 1978 Act, and its implementation by the Federal Energy Regulatory Commission (FERC), prices of gas are still rising even though world oil prices are falling.

In April 1982, FERC approved price increases of $900 million to California's primary interstate natural gas pipeline suppliers. This was by far the largest increase ever passed through to an individual state.

In 1978, the average rate paid per unit of gas sales to the residential customer was about 18.8¢/therm. In 1982, the average rate paid will be about 46.3¢/therm, which equates to an annual increase of 25% per year compounded for the four-year period following enactment of the NGPA. This rate of increase is in excess of twice the general inflation rate.

In our opinion, FERC has refused to take action that would ensure that interstate pipelines pursue a policy of buying the cheapest gas supplies available. This is in spite of the fact that many Californians, including our Commission, and representatives from other states have argued before Congress and FERC urging that the interstate pipelines reduce their purchases of high-cost deregulated gas, some of it at twice the price of oil. In an attempt to reduce gas costs to California ratepayers, the California Public Utilities Commission has formally intervened in seven separate FERC rate proceedings and several related natural gas proceedings in federal court. At stake in these proceedings are increases of $1.5 billion in interstate gas rates.

The Commission has vigorously advocated policy changes at the FERC which would correct the spiraling pricing system now in effect. In addition, the Commission has carefully reviewed the gas purchases by California utilities. On April 28, 1982, the Commission disallowed from rates a total of $35 million in gas purchases by Southern California Gas Company that it found to be imprudent.

TELECOMMUNICATIONS

On January 8, 1982, the United States Department of Justice and The American Telephone & Telegraph Company announced a proposed consent decree to settle a 1974 antitrust suit. The consent decree, which has now been approved, with modifications, by Federal District Court Judge Greene, requires AT&T to divest itself of portions of 22 Bell Operating Companies, including the Pacific Telephone & Telegraph Company. The AT&T divestiture will constitute the largest corporate reorganization in the business history of the United States.

To the extent allowed by the federal court, the Commission submitted comments to Judge Greene in the interest of (1) avoiding unnecessary increases in basic monthly rates for telephone ratepayers in California; and (2) assuring that Pacific Telephone in its divested state will be a healthy corporation capable of providing high quality service and meeting the growing communications needs of California.

The vision of a competitive market for new telecommunications products and services, incorporating the full range of electronic and computer technology, is an attractive one. However, it would be tragic indeed if the introduction of competition and new technology were to cause rates to rise so high that they would deprive a large number of our citizens of the basic telephone service they have come to expect.

The economic health of the local operating company is absolutely critical to the maintenance of affordable telephone service. Local network telecommunication is both a labor and capital intensive business, very sensitive to the ravages of inflation. The efficiency of this segment of the telephone industry, moreover, has not benefited greatly from the technological advances which have so transformed interexchange telecommunication and the terminal equipment business in recent years.

The Commission has actively supported legislative proposals in Congress which would preserve affordable rates after the divestiture. In addition, Commissioner Richard Gravelle represents state interests on a critical federal/state joint board on telecommunications cost allocations.

The Commission has also sought to improve the quality of telephone service, especially in General Telephone Company's territory. The General Telephone rate case decision reached in June of 1982 adopted an award/penalty mechanism in order to promote better service. In those areas identified as having poor service, customers could receive a credit on their bills if the service fails to improve.

TRANSPORTATION

California trucking is an industry involving 23,000 for-hire carriers and $4 billion in annual revenues—an industry that is the vital supply lifeline for California's citizens and their jobs, business, and agriculture.

Traditionally, economic regulation of trucking in California took the form of minimum rate tariffs set by the Commission. Minimum rate regulation was instituted in the 1930s in response to severe economic conditions resulting from the Great Depression and the infancy of the motor transportation industry.

As the trucking industry grew with the state over the intervening decades, minimum rate regulation began to promote inefficiencies. In recognition of these defects in its transportation regulation, the PUC began to investigate the ways it could change policy and reduce its control over the carrier industry. The Commission's current program replaces Commission-established minimum rate tariffs with carrier-initiated rates. The Commission has cancelled a number of minimum rate tariffs, including five general commodities schedules and those which applied to carriers of cement, motor vehicles, trailer coaches and mobile homes.

In June 1982, the Commission exempted from rate regulation the transportation of recyclable materials. The Commission hopes that the elimination of rate regulation of these scrap materials will promote more efficient use of the state's material resources used in the production of metal containers, paper products, and glass. Staff was also directed to study whether modifications are needed in the tariffs which apply to dump trucks and to carriers of livestock and produce.

Even though our reregulation program is reducing the Commission's role in the transportation industry, oversight of compliance with existing carrier rates is continuing. The Commission is very concerned about violations in this area, and has stepped up its enforcement efforts. It has installed a toll-free hot-line to encourage reporting of violations. As a further deterrent to violators, the Commission supported legislation to increase fines for violations.

The Commission has chosen the reregulation strategy, in response to the need for change, and in recognition of the need to mitigate the disruptions that major policy changes can impose. The transition from full regulation of rates and limited entry to a system which promotes competition and more open entry has jolted some industry members. Hopefully, the incremental approach of reregulation will absorb some of the shock of regulatory change, allowing carriers to adjust gradually to a more market-oriented system. This approach also allows the PUC to monitor the effects of the program on the carrier industry and the shipping public, and to discover where exceptions to the general policy direction may be required.

PROSPECTS FOR THE FUTURE

The coming year promises further challenges for the Commission: major general rate cases; additional federal increases in natural gas prices; trends toward deregulation in transportation and telecommunications; major cases concerning the new San Onofre, Diablo Canyon, and Helms facilities. These and other important cases will have great impacts on the price and quality of utility services in California. Ratepayers have an enormous stake in the outcome of Commission decisions on all of these issues. Faced with these major issues, the Commission must use its available resources with budget constraints in an effort to optimize public involvement. Public participation in these efforts is vital to the making of sound decisions and the shaping of our regulatory policy.

John E. Bryson

JOHN E. BRYSON
President

RICHARD D. GRAVELLE
Commissioner

LEONARD M. GRIMES, JR.
Commissioner

Victor Calvo

VICTOR CALVO
Commissioner

Priscilla C. Grew

PRISCILLA C. GREW
Commissioner

THE COMMISSION

JOHN E. BRYSON

President

Commissioner Bryson was appointed to the Public Utilities Commission by Governor Edmund G. Brown Jr. on January 26, 1979. He was elected president of the PUC on January 30, 1979. His term expires December 31, 1984.

Commissioner Bryson was born in 1943 in New York City and received his elementary and secondary education in Portland, Oregon. Graduated from Stanford University in 1965 with a B.A. degree; he took graduate studies at Freie Universität in Berlin and Yale Law School, receiving a J. D. degree in 1969.

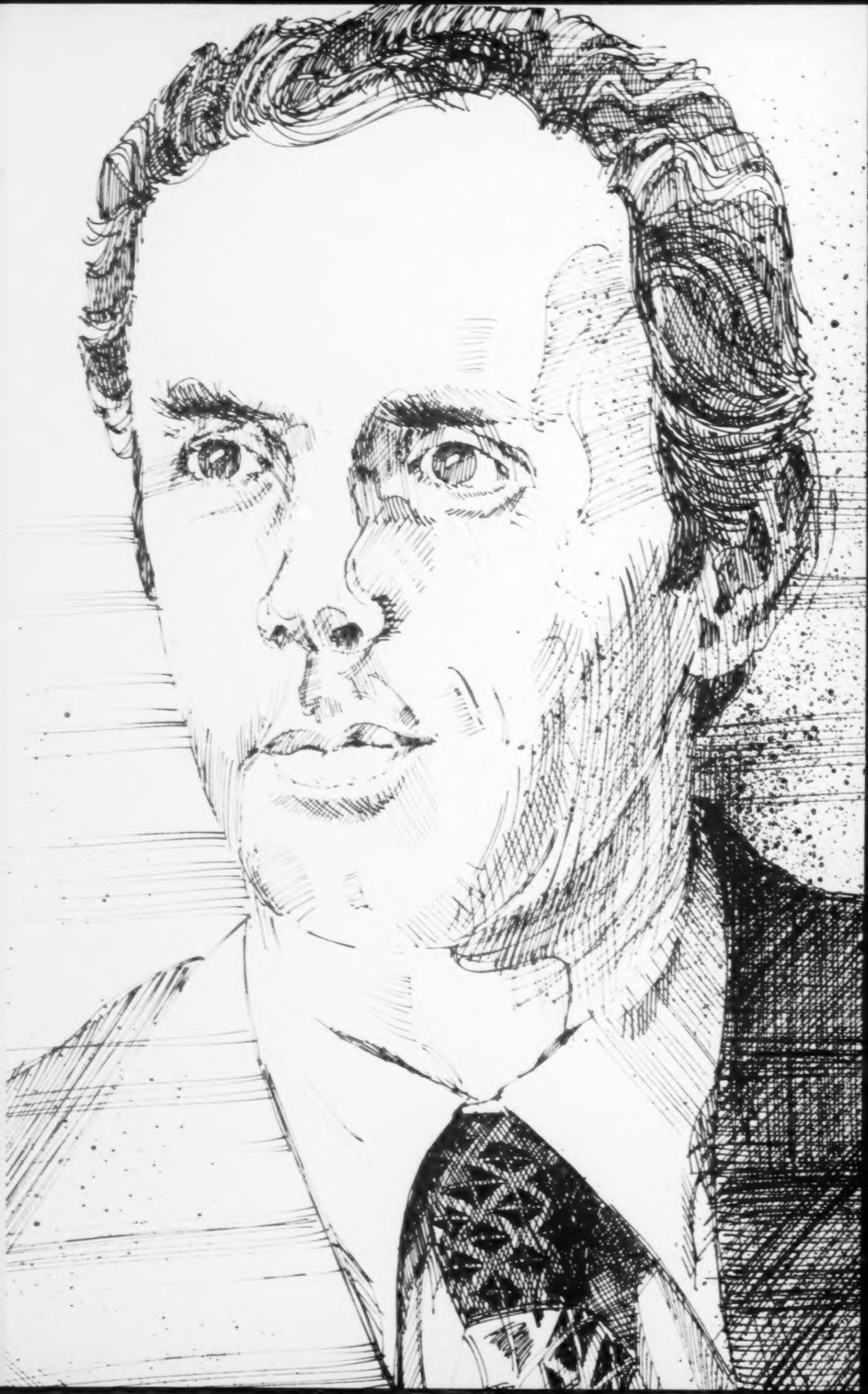
He has served as an aide, intern or law clerk for members of Congress, government agencies, and the federal courts. In 1970, he became attorney and co-founder of the Natural Resources Defense Council, a national public interest environmental law firm, with offices in New York, Washington, D.C., and Palo Alto.

In 1975, he returned to the private practice of law in Portland, Oregon, and also served as vice-chairman of the Oregon Energy Facility Siting Council, which exercises authority over the siting of facilities and transmission lines, and the safety of transport and storage of nuclear materials and waste.

Prior to his appointment to the PUC, he served as chairman of the State Water Resources Control Board at Sacramento. That board administers both California's waste pollution control and water rights program.

Commissioner Bryson is married, has three children, and currently resides in San Francisco. He is the author of several articles in the field of environmental law.

ILLUSTRATIONS: DOUG HARDENBURG



RICHARD D. GRAVELLE

Commissioner

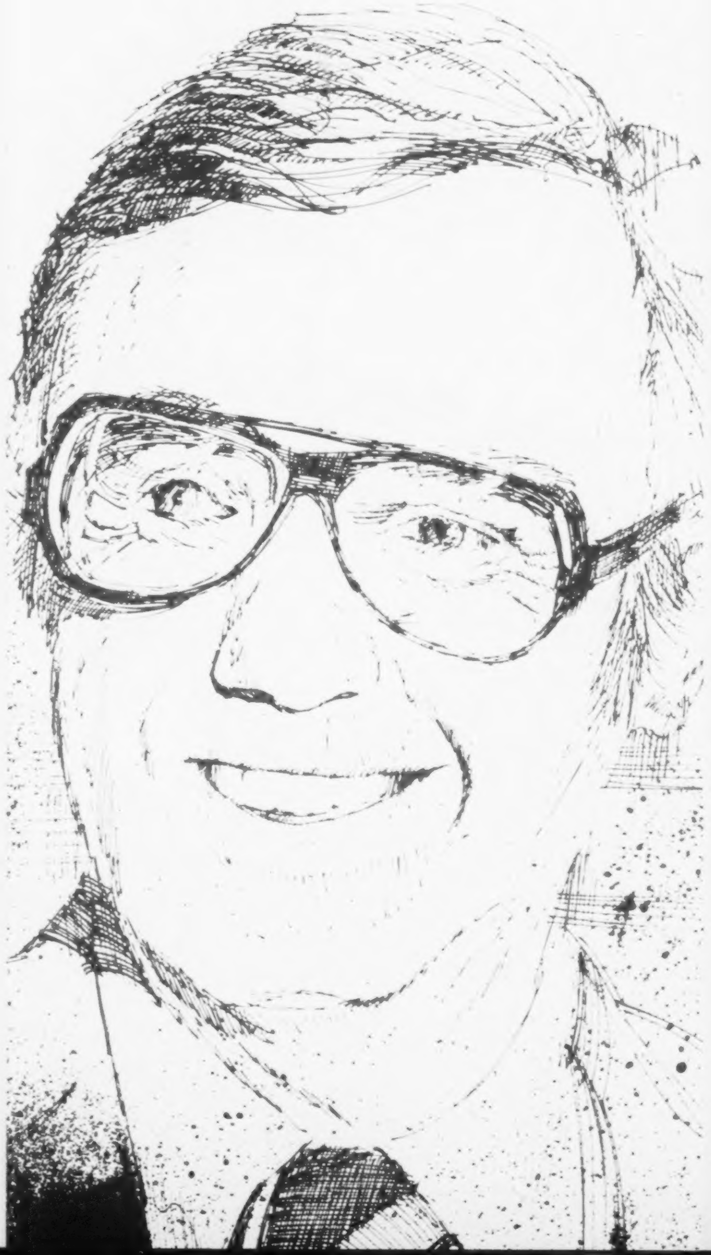
Commissioner Gravelle was appointed to the PUC by Governor Edmund G. Brown Jr. on January 26, 1977 for a six-year term, which expires on December 31, 1982.

He was born in Portland, Oregon, December 5, 1926, and grew up in San Francisco, attending school at St. Ignatius High School, the University of California at Berkeley, the University of San Francisco and USF School of Law, receiving a B.S. degree in political science in 1950 and his LL.B. degree in 1954.

Commissioner Gravelle engaged in general law practice from 1956–59 in San Francisco, including Federal District Court, State Court and Administrative trial work. He joined the staff of the Public Utilities Commission in 1959 and his duties have included: legal assistant to two Commissioners; trial counsel in the Legal Division; hearing examiner and decision writer; supervising attorney and trial attorney, general counsel and head of the PUC's Legal Division, and Commissioner.

Commissioner Gravelle also serves as a Commissioner on the California Transportation Commission, appointed by the Governor. In addition, he is a member of the Committee on Communications of the National Association of Regulatory Utility Commissioners (NARUC) and president of the Western Conference of Public Service Commissions, an affiliate of NARUC.

He served in the U.S. Navy, receiving his honorable discharge in 1946. He resides in Daly City with his wife and four sons.



LEONARD M. GRIMES, JR.
Commissioner

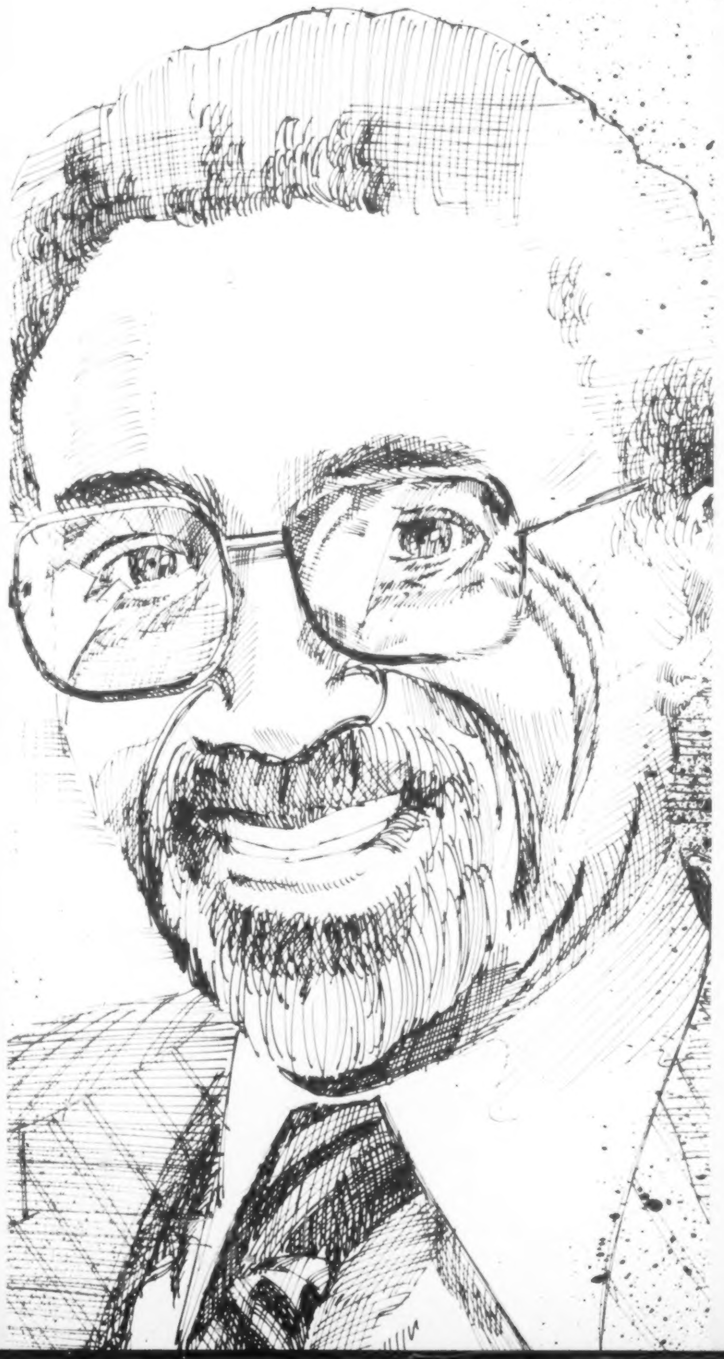
Commissioner Grimes was appointed to the PUC by Governor Edmund G. Brown Jr. on January 26, 1979 for a six-year term. He was formerly the Secretary of the State and Consumer Services Agency, having been named to that Cabinet post in March 1977.

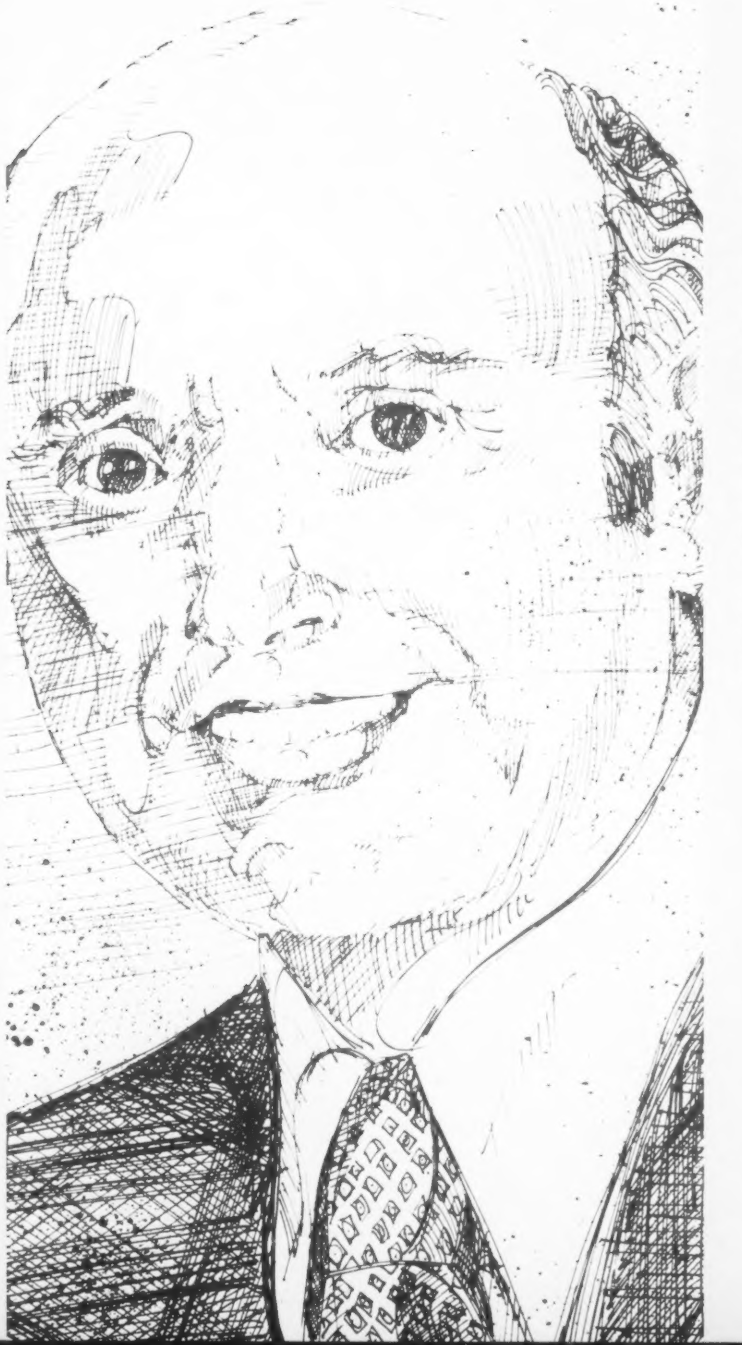
Prior to assuming the post of Agency Secretary, Commissioner Grimes was Director of the State Department of General Services, having been appointed to that position in February 1975.

Commissioner Grimes was born in Los Angeles in 1923 where he lived until moving to Sacramento. He served in World War II in the Pacific, receiving an honorable discharge in 1946. He graduated from the University of Southern California with a B.S. degree in Business Administration in 1952, while working for Golden State Mutual Life Insurance Company, the largest western black-owned life insurance company. Before entering state service he was vice president of the company.

His work with GSM ranged from public relations and advertising to business systems (including installation and management of the company's computer operations, purchasing, property management, general corporation administration and services. He was a member of related business and professional associations and worked with many community organizations either as an officer or advisor.

Commissioner Grimes is a registered Democrat and a Black American.





VICTOR CALVO

Commissioner

Commissioner Calvo was appointed to the PUC on February 19, 1981 by Governor Edmund G. Brown Jr. for a six-year term.

He was formerly the Assemblyman from the 21st District and had served in the State Legislature since 1974. In the Assembly he was chairman, Committee on Resources, Land Use and Energy and a member of the Assembly Committees on Finance, Insurance and Commerce; Transportation; and Policy Research Management.

Prior to service in the Legislature, Commissioner Calvo was a former County Supervisor, Santa Clara County, as well as a former Mayor and City Councilman of Mountain View. He served on a number of San Francisco Bay Area regional associations, including Air Pollution Control, Association of Bay Area Governments and the Bay Conservation and Development Commission.

He attended Mountain View schools and Stanford University, receiving a B.A. degree in Political Science. A veteran of the U.S. Air Force, he is married to Nellie Quintero and has five children: Suzanna, Victor, Peter, Theodore and Mary.

Commissioner Calvo is in the lumber business.

PRISCILLA C. GREW

Commissioner

Dr. Priscilla C. Grew was appointed to the PUC on March 25, 1981 by Governor Edmund G. Brown Jr. for a six-year term.

From 1977 to 1981, Dr. Grew was Director of the California Department of Conservation which regulates oil, gas and geothermal well operations and performs geothermal resources assessments in the state.

She chaired the State Geothermal Task Force in 1977–78, which formulated recommendations to accelerate geothermal development in California. Her experience in the geothermal energy field also includes service from 1972 to 1977 as a Consultant and Visiting Staff Member at the Los Alamos Scientific Laboratory, where she worked on geological aspects of the innovative hot dry rock technology.

Dr. Grew received her Ph.D. in Geology from the University of California, Berkeley, and her B.A. in Geology from Bryn Mawr College. She has taught geology and environmental studies at Boston College, U.C. Davis, and UCLA.

From 1971 to 1977, she was Assistant Research Geologist at the Institute of Geophysics and Planetary Physics at UCLA. Her research has included studies of metamorphic rocks, earthquakes, and coal resource development in the Colorado River Basin.

Commissioner Grew was recently appointed by Interior Secretary James Watt to a second two-year term on the National Earthquake Studies Advisory Panel of the U.S. Geological Survey.

ENERGY

The focal point of the Public Utilities Commission's efforts during the past year has continued to be restructuring of priorities to meet the ever-increasing effects of energy costs on the people of this state.

While other issues reflecting the general economic conditions in the nation also exacerbated all aspects of the PUC's mandate, the most prolific and dynamic changes continued to occur in the energy-related field.

The winter of 1981–82 illustrated the rapid changes and uncertainties in energy costs. Rate increases that reflected rising costs of gas and oil used to generate electricity took effect during the winter, and the winter was unusually cold in many parts of the state. The combination of higher rates and higher demand for electricity led to higher utility bills and many personal hardships.

At the same time, the harsh winter in northern California left behind reservoirs filled with rainfall runoff and a much larger than normal snowpack in the Sierra. During the spring and summer of 1982, this translated into greater than usual amounts of electricity generated by water turning power plant turbines. As a result, electric rates went down by $1 billion during the year because hydroelectric power costs about one-tenth that of electricity generated by oil or gas.

In response to the protests of ratepayers, legislative action was profuse to reflect the dissatisfaction with high utility bills. By the end of the legislative session, however, many of the bills thrown into the hopper were no longer deemed necessary.

The Commission, faced with an ever-changing economic and regulatory climate, continued to seek innovative methods to cope with these changing conditions. It continued to restructure its approaches, bringing into being a more flexible use of its undermanned staff so as to make the most expeditious use of its engineering, financial, economic and legal disciplines and expertise.

This resulted in a reorganization of the Utilities Division in early 1982 into program branches. The basic reason for the reorganization was to group closely related programs, projects and casework under the same branches. The reorganization changed the division staff from being oriented to the type of utility regulated, e.g. electric for electric utilities, gas for gas utilities, to a *program* orientation—rate design and economic branch for both electric and gas utilities.

The program orientation strengthens the staff's ability to handle rate and fuel cost issues. The utility fuels cost assessments were strengthened by the creation of a new Fuels and Operations Branch, which pays close attention to the billions of dollars of gas and electric utility fuel costs, bringing together all staff experienced in gas and electric fuel procurement and operations.

The PUC also established interdisciplinary task forces to meet specific problems and placed additional reliance on outside consultants in those areas where the staff lacked the necessary expertise.

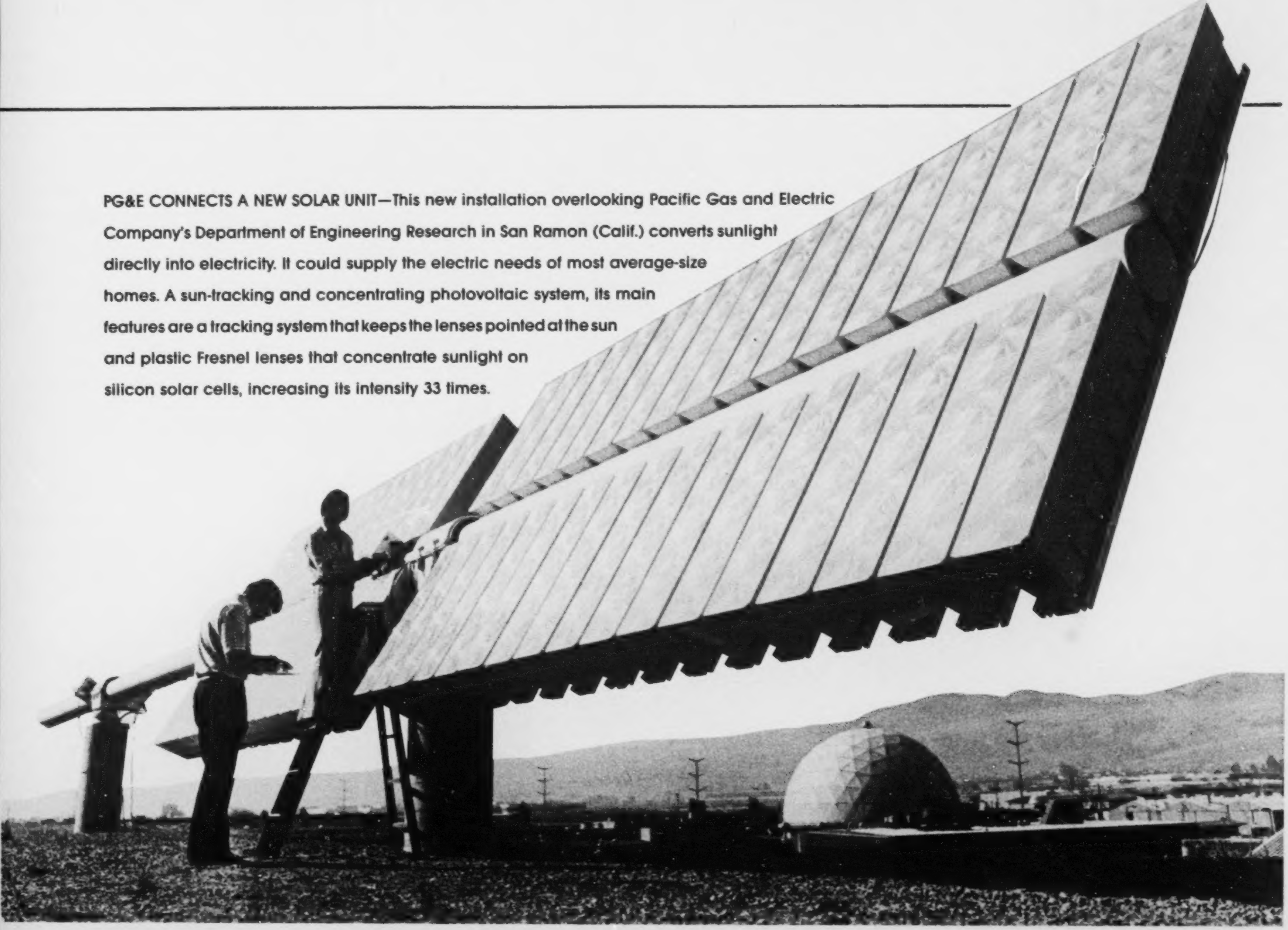
Another aspect of the problems faced by all state regulatory agencies, as the Commission pointed out on a number of occasions throughout the year, was the increasing impact of national policy on the state and its agencies. In recent years much of what the PUC can or cannot do results from the political decisions and actions taken at the federal level.

This change in the relationship of forces continues to require active participation in the legislative and policy processes initiated by the federal administration. It has required greater participation by the PUC's staff and the commissioners in federal litigation and testimony on matters before Congress and the federal regulatory agencies.

In the pages that follow, these issues will be discussed in greater detail. These include fuel costs and related items; rates, rate mechanisms and structures; financial considerations and impacts, including taxes and resources and planning programs for the future by energy and other utilities. Conservation programs, their cost-effectiveness and innovations and incentives to encourage conservation; as well as other major considerations such as safety, environmental concerns and other immediate and long-range perspectives for California, will also be discussed.

FUEL COSTS— THE MAJOR ISSUE

The costs of natural gas and fuel oil are now the major components of high utility bills and rates. Until about 1973, these costs comprised about 15% of the gas and electric bills paid by utility customers. Today they



PG&E CONNECTS A NEW SOLAR UNIT—This new installation overlooking Pacific Gas and Electric Company's Department of Engineering Research in San Ramon (Calif.) converts sunlight directly into electricity. It could supply the electric needs of most average-size homes. A sun-tracking and concentrating photovoltaic system, its main features are a tracking system that keeps the lenses pointed at the sun and plastic Fresnel lenses that concentrate sunlight on silicon solar cells, increasing its intensity 33 times.

comprise 60% to 70% of such bills. These are just the costs of buying fuel. They do not add one cent to utility profits.

The pricing of natural gas and the acquisition of new supplies continues to be a major focus of the Commission and its staff. Activities in this area must necessarily originate at the Federal Energy Regulatory Commission (FERC) since 90% of California's gas supply comes from outside the state.

In April 1982, two of the major domestic suppliers of natural gas—El Paso Natural Gas Co. and Transwestern Pipeline Co.—filed for gas rate increases at the FERC that amounted to over $1 billion, the largest increases ever passed on to affect one state. The PUC protested these increases and materially aided in having these rates initially reduced by $150 million and in having the legality of the remaining increases set for a hearing.

FEDERAL PRICING PRACTICES

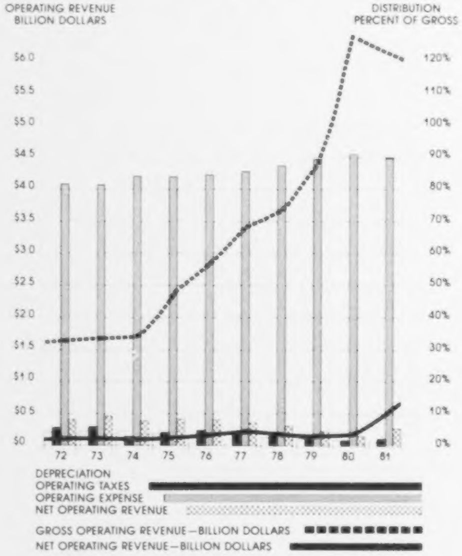
Under federal procedures, the pipeline companies file for an increase with the FERC and the increases go into effect subject to later review by the federal commission and a determination as to whether those rates are reasonable. They are effective immediately, however, even though subject to later refund.

A major concern of the PUC is the effect of continuous price increases and partial deregulation under the Natural Gas Policy Act (NGPA). The commission has actively opposed "administrative decontrol" efforts by the FERC, wherein that agency is attempting to grant incentive prices, above NGPA maximum lawful prices, for various categories of natural gas. The PUC estimates that such incentive pricing could cost California $1 billion per year over the next three years. In an attempt to make sure gas producers fully understand the effects of market forces caused by high gas prices, the PUC is proposing various innovative rate designs for implementation by the FERC.

The PUC favors the establishment of incentive prices in direct relation to the price of oil. In the recently-filed El Paso and Transwestern general rate cases the PUC staff has proposed new rate design concepts that remove the marketability risk from the consumers and distribution companies and place it on the interstate pipelines and gas producers. This is the only way to bring natural gas prices down to a reasonable level. With gas prices to California escalating at $1 billion per year in a deregulated atmosphere, the issues involved here are extremely important.

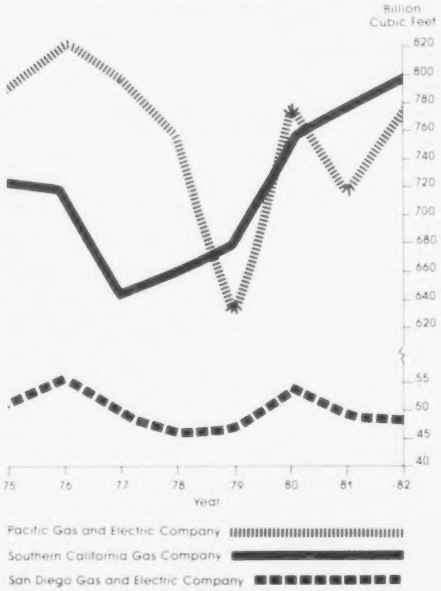
The drastically increased price of natural gas has caused a reevaluation of many gas supply projects. The Commission has sought a renegotiation of the Pacific Offshore Pipeline Co. (POPCO) gas contract price. POPCO is a project to bring offshore California gas from wells in the Santa Barbara Channel into Southern California. Although the pipeline is being built, an unexpected increase in the regulated price of gas has affected the economic viability of the project. The FERC has raised the regulated price of gas supply to a price that will be above alternate fuels at the burner tip.

DISTRIBUTION OF GROSS OPERATING REVENUE LARGE GAS UTILITIES IN CALIFORNIA



NOTE Distribution percentage allotted to Depreciation Operating Taxes Operating Expenses Net Operating Revenue 100% Gross Operating Revenue

MAJOR GAS UTILITIES GAS SALES OTHER THAN RESALE RECORDED



The Alaska Natural Gas Transportation System (ANGTS) has been delayed by at least two years, until 1989, because the sponsors of the project cannot obtain financing due, among other reasons, to the question of gas marketability. The PUC actively objected in Congress to the proposal to waive the original law authorizing the pipeline that would make consumers pay for ANGTS prior to pipeline completion. The change from an era of supply constraints to one of demand constraints has required the PUC to formulate some novel concepts in pipeline rate cases.

To incorporate a "least cost" supply scenario the Commission is pressing the FERC to demand a financial plan and marketability test establishing the viability of Alaskan gas prior to certification.

The PUC, additionally, is pressing hard for a "least cost" supply policy not only from the California distribution companies but also from the interstate suppliers. This includes taking less Canadian gas and seeking hearings at the FERC on high-priced new gas supplies for Transwestern and El Paso, including an Anadarko expansion project, an Abo formation expansion project and a Transwestern pipeline connection to new Canadian supplies.

Because of the pegging of Canadian natural gas prices to OPEC oil prices, which accounted for 45% of PG&E's natural gas supplies in past years, the PUC several years ago worked for an accommodation so that PG&E could reduce its "take" of Canadian gas and instead purchase less-expensive domestic natural gas.

After discussions between the PUC staff and Canadian officials and between the Commission's president and the chairman of the Canadian National Energy Board, a proposal developed between PG&E and the Canadian gas producers was rejected as less favorable to California than extension of the existing, expiring reduced-take agreement. Necessary Canadian and U.S. regulatory agency approval of a two-year extension of the agreement, to June 30, 1984, is necessary and is currently being processed.

Gross benefits of reducing PG&E's purchases of Canadian natural gas, assuming the availability of equivalent quantities of lower-cost domestic supplies and a continuation of the present Canadian border price through 1984, are $90 million for the year ending July 1982; $68 million for the year ending July 1983; and $42 million for the year ending July 1984.

The PUC staff also prepared in-depth studies on natural gas regulation for the PUC, which regularly participates before the federal agencies representing the state. These studies have dealt with problems created by the transition from regulation to the deregulation of natural gas producer prices, and the impact of these accelerated "administratively decontrolled" policies on average residential gas and electric bills. These studies included the effects of FERC incentive pricing of natural gas production for special categories of gas well-drilling on cost of gas to California consumers.

The PUC staff annually researches and publishes a 10-year forecast of California's natural gas supply, requirements and costs. This forecast is prepared for the information of the Commission, but has also been well-received by academic, industrial, private research and governmental sectors throughout the country.

The Commission staff put into operation this past year a system for daily and weekly recording and monitoring of gas utility fuel acquisition volumes and costs, including a continuing review of the reasonableness of such costs.

This work is based chiefly on daily reports the staff receives from Southern California Gas and PG&E, but it also involves data culled from a variety of other sources. The new procedure for timely data collection and review provides an immediately available data base for staff advice to the Commission on gas supply, requirements and costs. It is considered superior to the past method of collecting and analyzing data and preparing special studies to meet specific needs for gas cost adjustments and general rate proceedings and "reasonableness reviews" required by the Commission.

Having current information on gas availability and costs also results in more efficient and speedy staff preparation of testimony and exhibits for the PUC's natural gas proceedings and adds depth to the staff's day-to-day advice to the Commission on these matters. A similar program is being organized for application to electric utility fuel acquisition volumes and costs.

The increases in the cost of fuel, electric cost adjustment and gas cost adjustment increase requests by the utilities have been greater than the increases requested in general rate cases. Because of the volatility and the huge amounts of money involved in these fuel cost adjustments, it became necessary for the Commission to provide a timely opportunity for utility companies to recover these costs. It, therefore, adopted various fuel cost adjustments. Electric fuel costs (ECACs) are handled three times a year and gas cost adjustments twice a year. This is discussed in greater detail in the ratemaking section in this report.

During the past year, all major electric utilities in California implemented revised procedures for recovering fuel and purchased power costs under a PUC decision on December 5, 1980, which required substantial changes in the ECAC. This included an annual review of the reasonableness of the fuel management practices of the major utilities.

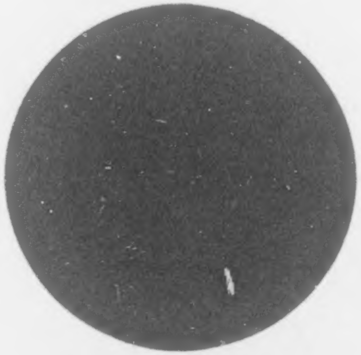
Early in 1982, the Commission instituted an investigation to consider cost effective programs to reduce use of oil and natural gas for Southern California Edison. The staff is currently preparing a study of this problem, which will be thoroughly aired in the public hearings on this issue. Potential far-reaching and fundamental changes in existing ECAC procedures will be considered in this investigation.

At the same time, the staff was involved in a number of new proposals. Utilities have requested, through various applications, authorization to implement extraordinary measures during these times of high interest rates and high energy costs.

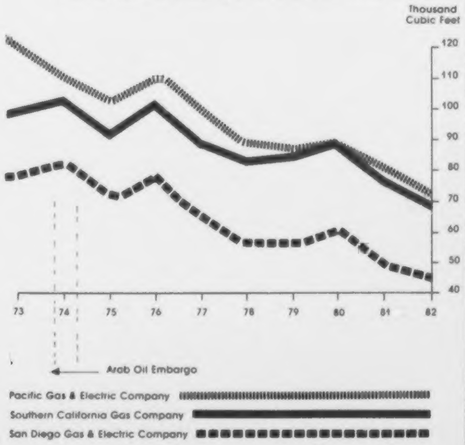
Among these are an Annual Energy Rate (AER), a mechanism designed to treat certain fuel-related costs like rates, except that the AER companies would have this rate component adjusted annually. Pacific Gas and Electric Co. requested to include ad valorem taxes in the AER and to exclude facilities charges, underlift payments and losses on the sale of fuel oil from the AER. These proposals have not been adopted by the Commission.

During the year PG&E was also directed to engage an independent consultant to develop a procedural refinement to direct more equitably the burden associated with excess fuel oil in inventory between the ratepayers and the stockholders. The final report of the consulting firm, Energy Management Associates, has been submitted but implementation of their findings is still pending.

In order to aid the Commission staff in their ongoing analysis of the reasonableness of utility fuels management decision making, the PUC engaged the consulting firm Energy and Resource Consultants, Inc., to analyze the fuel oil market in general, and the utilities' procurement practices in particular. The resulting report indicated that PG&E's future oil supply contracts should be for a shorter period than those in force at present, should provide for significantly greater diversity of supply than now exists, and should incorporate rolling expiration dates so that upward



MAJOR GAS UTILITIES
RESIDENTIAL GAS SALES/CUSTOMER RECORDED



or downward adjustments in fuel oil requirements may be accumulated without having to renegotiate existing contracts.

Some of the procedural recommendations presented by the consultants included:

- The provision of data for ECAC review in a standardized format.
- Each utility should be required to conduct fuel procurement practice appraisals periodically.
- The PUC should upgrade its computer capability to analyze ECAC related matters.

It should be noted that on June 2, 1981, the Commission discontinued its OII #66 proceeding. This was an investigation into the form and timing of public disclosure of fuel oil contracts entered into by regulated electric utility companies, their negotiation and consummation, and the prices paid for fuel oil.

PG&E's three long-term fuel oil contracts were renegotiated this year. The contracts with Atlantic Richfield (ARCO) and with Union Oil Company of California were terminated on December 31, 1981. Only the Chevron USA contract was renegotiated.

On April 8, 1982, the PUC requested that under the new contract PG&E suspend all oil deliveries from Chevron, since available hydroelectric power and the lesser cost of natural gas as compared to existing oil prices, would reduce the burden on rates and the PG&E ratepayers. This action substantially reduced PG&E's fuel oil takes from 36.7% of the total energy mix to 5.4%. Subsequently, the cost associated with low sulphur fuel oil (LSFO) included in the AER will be substantially less than last year. It is estimated that this would save the utility an estimated $92 million in 1982.

Financial Fallout—A "Catch-22"

The financial and economic malaise of the world's current situation naturally had its effects on California's economy and the general health of California utilities.

While focus has been largely centered on energy matters, these factors are only one component of a general situation, with financing and high interest rates the other major contributors to higher rates and the diminished health of utility companies.

High interest rates and high financing costs have also required that the Commission consider higher returns for utilities to keep them viable. These inflationary factors combined with OPEC-set fuel prices continued to plague the economy generally and utility ratepayers in particular.

TAX ACT IMPACT

Several other factors entered into the financial picture during the past year. Of major importance was the Economic Recovery Tax Act of 1981 (ERTA), which had an immediate impact on utilities and their ratepayers. Passage of the Tax Act significantly affected the Commission's long-standing policy of treating income tax expense for ratemaking purposes.

The tax changes provided for a new accelerated depreciation (ADR) system for business, which replaces the class life ADR system for property placed in service after December 31, 1980 by the Accelerated Cost Recovery System (ACRS).

Under ACRS, recovery of capital cost for most tangible depreciable property placed in service after 1980 is made using accelerated methods of cost recovery over statutory recovery periods that are unrelated to, and shorter than, the latest ADR class lives. The cost of eligible property is recovered over a three-year, five-year, ten-year or fifteen-year period depending upon the type of property.

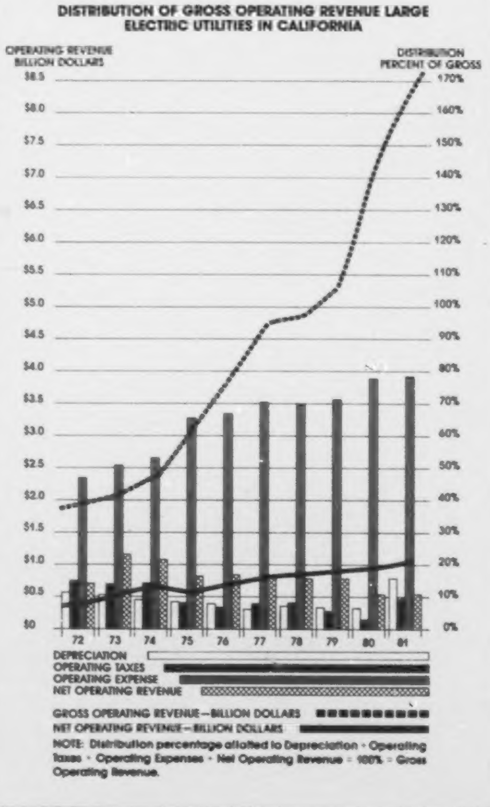
The 10% Investment Tax Credit (ITC) remains unchanged under the Tax Act except for the extension of ITC carry-forward from seven to 15 years and reduction in the asset holding period from seven to five years, or three years to qualify for 100% of the ITC generated.

ERTA mandated that the tax benefits of ACRS and ITC for public utilities be normalized for ratemaking purposes by the next final rate order issued subsequent to August 13, 1981, or no later than January 1983 if the utilities are eligible to take advantage of the tax benefits of ACRS and ITC for income tax purposes.-

This requirement to normalize tax expense for ratemaking purposes represents a drastic departure from prior PUC policy, which mandated that utilities subject to the Commission's jurisdiction flow-through the tax benefits realized from the use of accelerated depreciation and investment tax credits on their tax returns.

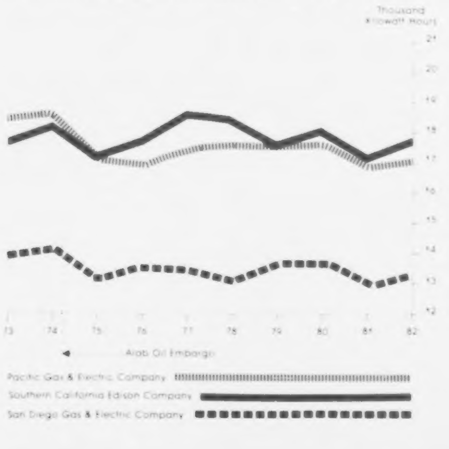
For California ratepayers, normalization means that rates will be set using an allowance for federal income tax expense which is substantially higher than actual income tax that the utilities will pay to the Internal Revenue Service.

The Commission held extensive hearings on the subject and the Tax Unit of the Revenue Requirements Division as well as all major California utilities presented testimony and recommendations. The PUC essentially adopted the Tax Unit's recommendation and on December 15, 1981 adopted conventional normalization as its ratemaking policy in order to comply with the provisions of the Tax Act. The result is that gas, electric and water companies previously on flow-through will receive significant rate increases because of the Tax Act, while telephone companies previously on normalization will receive slight rate decreases due to the Tax Act. A significant illustration of this factor is that in the Pacific Gas and Electric Co. general rate case decision issued by the commission in December 1981, more than $177 million of the



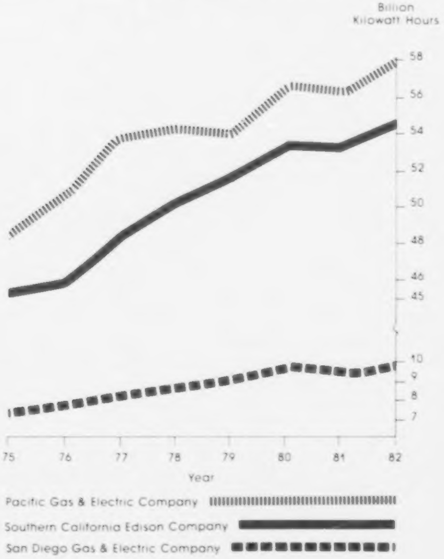
DISTRIBUTION OF GROSS OPERATING REVENUE LARGE ELECTRIC UTILITIES IN CALIFORNIA

NOTE: Distribution percentage allotted to Depreciation + Operating Taxes + Operating Expenses + Net Operating Revenue = 100% = Gross Operating Revenue.



MAJOR ELECTRIC 'JTILITIES
AVERAGE ELECTRIC SALES/CUSTOMER RECORDED

Thousand
Kilowatt Hours
21
20
19
18
17
16
15
14
13
12
73
74
75
76
77
78
79
80
81
82
◄ Arab Oil Embargo
Pacific Gas & Electric Company
Southern California Edison Company
San Diego Gas & Electric Company



MAJOR ELECTRIC UTILITIES ELECTRICITY SALES
OTHER THAN RESALE RECORDED

$909 million increase, about 20% of the increase, is directly attributable to the change in tax treatment mandated by the Tax Act.

HIGH COST OF CAPITAL

The California utilities' need for capital continued to increase during the past year. Although inflation subsided to some extent, high interest rates and intense competition for financing continue to force the utilities to issue and sell an increasing amount of debt securities by means of negotiated public offerings and private placements, in addition to traditional competitive public offerings. Because of the enormous need for capital to carry out their construction programs, the PUC authorized the issuance and sale of equity and debt securities totaling $5.7 billion, an increase of $1.6 billion over the prior fiscal year.

California utilities continue to obtain increased amounts of capital from foreign and domestic capital markets. They keep looking for new ways to raise capital.

California utilities are expected to raise additional capital by participating in the new shelf registration program. This program is a new procedure recently adopted, on an experimental basis, by the Securities and Exchange Commission. It provides that new issues of securities may be sold to investors on a delayed or continuous basis at prevailing market prices, using a shelf registration statement.

A number of California utilities are expected to issue leveraged preferred stock. In order to issue this stock, a specifically formed trust is used. The trust is capitalized with both an equity investment and funds borrowed from institutions. With the combined funds, the trust buys the preferred stock from the utility. The equity participants in the trust use the tax deductible debt to acquire extra tax advantaged-dividends (i.e., 85% dividend exclusion), and by so doing, increase substantially the real after-tax rate of return on the preferred stock.

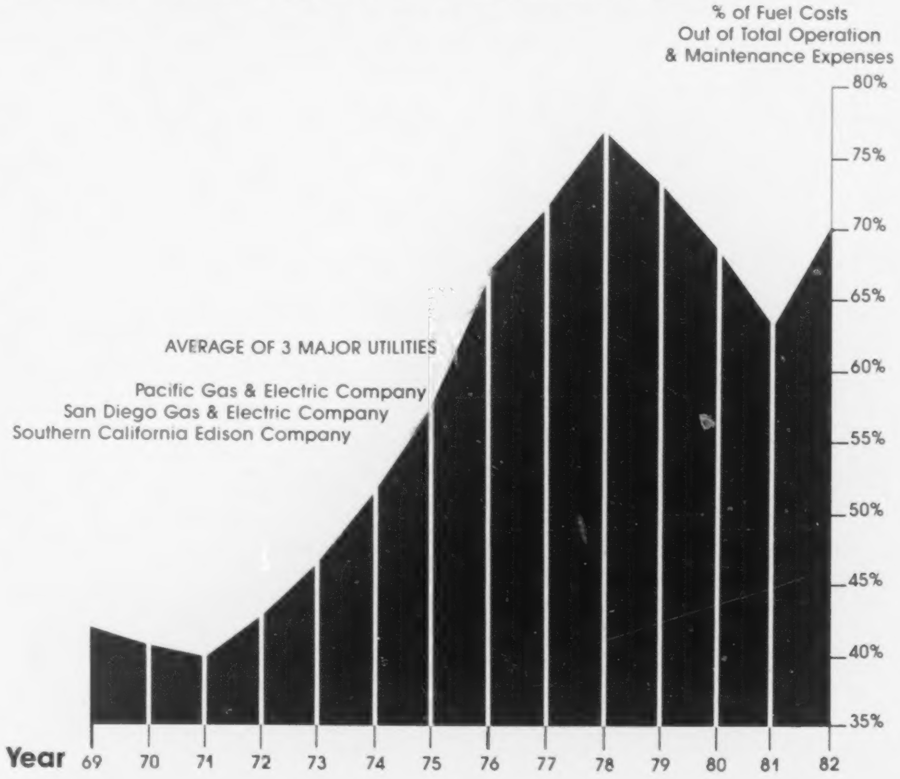
California utilities have increased their participation in nuclear fuel financing to acquire additional capital; and, they have participated in pollution control financing to acquire and construct pollution control facilities.

Under the nuclear fuel financing mechanism, the nuclear fuel is sold to and in turn leased from a subsidiary company. The subsidiary, by owning the fuel, is able to issue commercial paper at interest rates which are more favorable than the utility would have to pay for alternate means of financing.

In order to acquire pollution control facilities, California utilities, together with the various governmental pollution control authorities of cities and states, enter the transactions for the construction of pollution control facilities. Interest rates on this type of financing are much lower than conventional financing since interest received by investors is exempt from income taxes.

California utilities have also increased their participation in sale and leaseback transac-

FUEL COST AS A PERCENTAGE OF TOTAL OPERATION AND MAINTENANCE EXPENSE OF GENERATING ELECTRICITY



tions as a means of raising capital. This type of financing is particularly helpful to those utilities that experience difficulty in raising capital during periods of high interest costs. The sale and leaseback is a form of financing in which an owner sells property to an investor, then signs a lease with the purchaser and retains control of the property. As a result of a sale and leaseback transaction, the utility (former owner) receives cash for the property, which he can use for working capital and construction purposes. The former owner, however, must pay rent under a net lease, which require the utility to bear all costs including maintenance and taxes associated with ownership. The sale and leaseback form of business has special appeal to a utility. The cost of the net lease can be cheaper than long-term borrowing, and it might reduce the pressure on increased debt and equity financing at a time when costs of capital are at high levels.

The Economic Recovery Tax Act of 1981 provided, among other things, benefits to the California utilities and their stockholders. The Act provided a substantial tax advantage to utility shareholders who elect to receive dividends on their stock in additional shares of common stock rather than to receive them in cash. ERTA provides that stock issued under the terms of the Act will not be taxed as a dividend when received, but will be taxed on a capital gains basis if the shares are sold after one year. The utilities will use the proceeds from the plan to defer and/or reduce other types of financing.

Southern California Gas Co. weatherization instructor Armando Redondo shows students the proper technique of weatherstripping windows to cut natural gas use.

RATE OF RETURN

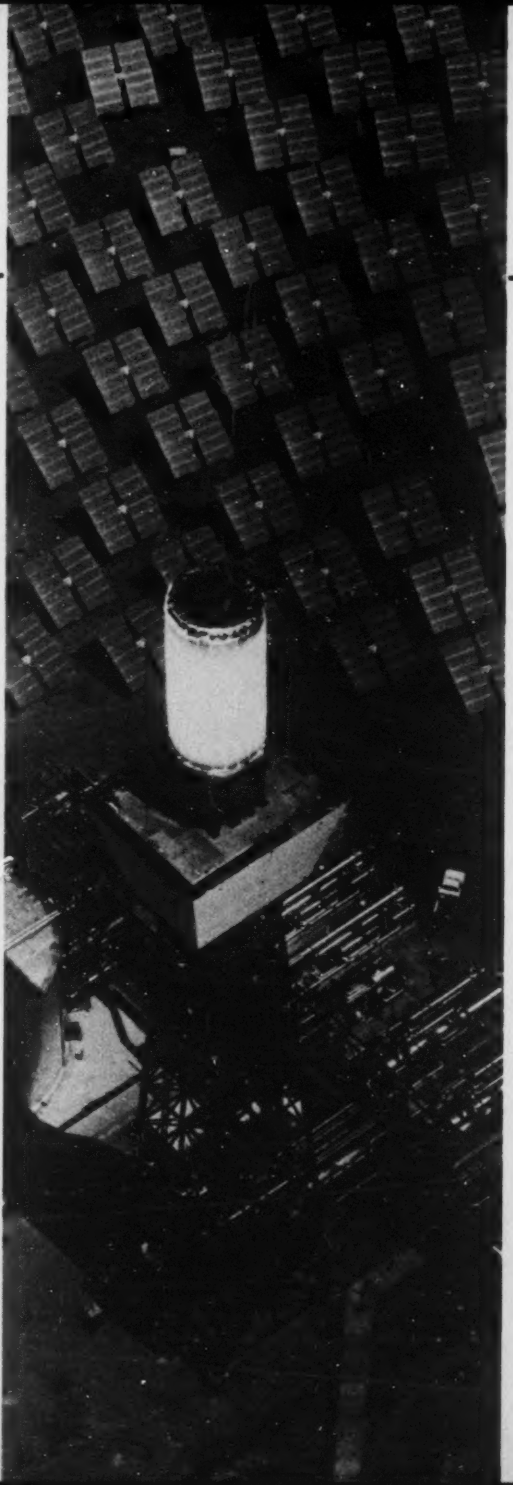
Significant changes were made during the past fiscal year in the staff's method of arriving at its rate of return recommendations. Economic and financial requirements called for a re-evaluation of the traditional comparable earnings approach which the staff has relied upon in the past to arrive at its recommendations.

The Commission retained the consulting firm of Charles River Associates, Inc. to conduct a study of the diverse financial models used nationwide by regulatory agencies, utilities and intervenors to determine the fair and reasonable rate of return. The primary methods analyzed were (a) Discounted Cash Flow Model, (b) Capital Asset Pricing Model, (c) Comparable Earnings Method, and (d) Equity-Risk Premium Method.

The staff rate of return analysis and recommendations now incorporate various capital market oriented models which provide the commission with a broader basis for arriving at a decision on a fair and reasonable rate of return.

Recognizing the volatility of interest rates and the great uncertainty surrounding interest rate projections for future financing requirements, the Commission has adopted the policy that all financings undertaken by a utility subsequent to formal rate case hearings and prior to a final decision be recognized at the actual recorded costs rather than the estimates supplied by the staff and the utilities. This acts to protect the customers from over-estimated debt costs while at the same time insulating the utility from underestimates.

Rate of return recommendations are made for two separate years, with the authorized rate of return increasing in the second year to recognize financial attrition. This has acted to stabilize the utilities' earnings to the point where, in 1981, many utilities approached earning their authorized rates of return. Investors recognized this by pricing California utility stocks at levels closer to book value which mitigates the problem of dilution with new issuances of common stock.



SOLAR ONE 'CLOSE UP'—Receiver (boiler) glows brilliantly atop the 300-foot tower from sunlight reflected by hundreds of giant mirrors (heliostats), shown as test operations began early in April. Ground facilities, left to right, include the thermal storage tank (in shadow of tower), thermal storage system heat exchangers (behind and to right of tower), turbine-generator deck, and the control building (lower right).

Rate Making in a Time of Rapid Change

The economy continued to be a major factor in ratemaking. With continued high interest rates, high cost of energy, slowing down of the economy and increased unemployment, both the ratepayer and the energy utilities were feeling the pinch. The ratepayer protested for lower energy costs while the utilities needed to maintain their financial integrity to attract and keep investors. The staff was faced with the difficult task of balancing these divergent needs.

GENERAL RATE CASES

The staff processed 10 major utility general rate increase applications during the last fiscal year. A general rate increase reviews all phases of a utility's operations including wages, materials, equipment, plant investment and return on investment.

The two largest general rate applications processed were:

- Pacific Gas and Electric Company's Application No. 60153, in which the utility requested an increase of $1.3 billion. As a result of the staff's investigation, the company was granted an increase of only $823 million out of which $177 million was a result of changes in federal tax laws called the Economic Recovery Tax Act of 1981.
- San Diego Gas & Electric Company's Application No. 59799 in which the utility requested an increase of $223 million but was granted an increase of only $166 million.

ATTRITION ALLOWANCES

California utilities and their ratepayers were major victims of rapidly changing interest and inflation rates that plagued the nation. Since the Rate Case Processing Plan (RCPP) only allows the utilities to file for a general rate relief every other year, the Commission has been providing an Attrition Allowance (AA) for certain operating cost increases experienced by the utilities between rate cases.

The AA will adjust utility rates based on the estimated inflation rate as shown in the Federal Reserve Bank (FRB) three-month commercial paper rate.

DEALING WITH UTILITY FUEL COSTS

The greatest impact on utility rates are the increases in the cost of fuel. As a result, electric cost adjustment and gas cost adjustment increase requests have been greater than the increases requested in general rate cases.

While most elements of ratemaking can be predicted in a general rate case, a few can change substantially between general rate cases. This is particularly true today in the energy field where the cost of oil and natural gas have been rising sharply at rates difficult to predict. Offset procedures have been designed to enable utilities to keep pace with such rapidly rising costs, in the intervals between general rate cases, by granting rate increases to offset increases in those costs.

The Commission has employed the use of balancing accounts to make certain that the utility recovers through rates the exact amount of the increase in expenses that it has experienced.

The most common types of offsets relating to energy utilities have developed acronyms such as ECAC in the electric industry and PGA and SAM in the gas industry.

ECAC stands for Energy Cost Adjustment Clause, which is intended to reflect changes in the cost of fuel used to generate electricity.

A comparable adjustment is made for natural gas utilities. The difference between the estimated price that would be paid for gas purchased by the utility during a test period and the actual price is referred to as a Purchased Gas Adjustment or PGA.

In addition to variation in the price of gas, a utility may also experience changes in the volume of gas sold during a given period (due to unusually cold or warm winters, effective conservation efforts, availability of gas supplies, or other factors). In a general rate proceeding the Commission estimates the dollar volume of gas sales and the cost of gas sold. The difference between these amounts is referred to as gas margin. A Supply Adjustment Mechanism (SAM) is used to account for differences between the estimated gas margin and the actual gas margin.

If sales volume is higher than expected, the utility will overcollect from its customers. When sales are lower than expected, it will undercollect revenue from its customers. Overcollections and undercollections for SAM and PGA are evened out in a future period through the use of balancing accounts in the same manner as for ECAC overcollections and undercollections. The combination of PGA and SAM is referred to as CAM (Consolidated Adjustment Mechanism) by Southern California Gas Company, and as GAC (Gas Adjustment Clause) by Pacific Gas and Electric Company.

During the year the Commission took action to deal with those utility fuel costs which may be passed on to utility ratepayers through its Gas Adjustment Clause (GAC) and Electric Cost Adjustment Clause (ECAC) proceedings.

Among the more important fuel cost actions was the PUC's disallowance on April 28, 1982 of about $35 million in Southern California Gas Company natural gas purchases which it found to be imprudent. The Commission also reduced a Pacific Gas and Electric Company gas cost-offset rate increase request by about $200 million, from $642.2 million to $451.8 million, on April 8, 1982.

On the electric side, the Commission on April 8, 1982 directed PG&E to suspend fuel oil deliveries by Chevron Oil Company so as to permit PG&E to use lower-cost natural gas as a fuel for electric generation. Assuming that PG&E suspends delivery of 5 million barrels of oil and replaces the oil with cheaper natural gas, it could mean a saving to the utility—and therefore ratepayers—of an estimated $92 million in 1982.

UNPREDICTABLE REVENUE CHANGE ADJUSTMENTS

A new Electric Rate Adjustment Mechanism (ERAM) was adopted in the December 1981 PG&E decision and is being recommended in Southern California Edison's Application No. 61138. The ERAM establishes Commission-adopted base revenues for the utility. An overcollection or undercollection would flow into a balancing account. This mechanism will serve as an incentive for the utility to vigorously promote conservation and will reduce the potential for requests for interim relief in periods of declining sales as a result of unforeseen economic downturn. Emphasis will continue to be placed on accurate forecasts to minimize the extent of rate fluctuations and because the projections are used in financial and resource planning.

MARGINAL COSTS USED IN DESIGNING RATES

Historically, the costs of natural gas have been considerably below oil prices because of federal regulation of natural gas prices. However, because of the deregulation of natural gas under the Natural Gas Policy Act of 1978, natural gas costs to California utilities are currently rising to meet or even exceed oil prices. As a consequence of this change in the economics of oil and gas prices, the rates set by the Commission for natural gas have had to be reviewed and substantially modified. After extensive hearings on this subject, the Commission adopted a marginal cost approach to gas rates.

Marginal cost is the extra cost to produce one additional unit of natural gas (or electricity) in the cheapest possible way. Under this approach all classes of retail gas sales, with the exception of lifeline customers, will be priced at as close to the gas utility's marginal cost for gas as the total revenue requirements will permit. The effect of this decision will be that further increases in the costs of natural gas will be allocated to all classes of customers in a more equitable and economically efficient manner than was possible under former rate design guidelines.

Marginal cost was adopted by Commission Decision 82-04-116 for Southern California Gas Company, based upon the marginal rate derived from: (1) a reasonable price for discretionary purchases; (2) the variable cost of the most expensive gas supply source; and (3) the price of alternate fuels.

Where discretionary purchases are made by the utility at prices in excess of the marginal rate, such purchases are presumed to be imprudent. The marginal rate will be established once a year and used to set all rates except the lifeline and ammonia producers rates.

In the Commission's PG&E decision, issued December 30, 1981, this method was established as the basis for setting electric rates by defining short-run energy and short-run capacity costs.

LIFELINE ALLOWANCES UNDER REVIEW

OII 77, the investigation of lifeline allowances, was expanded to review air-cooling requirements throughout the state on a uniform basis. An advisory committee representing many diverse interests was formed to make recommendations concerning air-cooling allowances to the Commission.

The staff determined applicable climatic zones throughout the state, selected an appropriate computer simulation model, chose the temperature parameters for a typical residence, and determined the applicable lifeline cooling allowances for a consistent, equitable program to be recommended to the Commission.

Because legislation was pending to revise the lifeline concept, implementation of these recommendations was deferred.

MOVING TOWARD STABILIZED ELECTRIC RATES

During the second half of the fiscal year (1982) the issue of stabilizing rates and sales forecasting were a major concern of the Commission and ratepayers. On January 1, 1982, Executive Director Joseph E. Bodovitz, requested that each utility in their next ECAC filing also prepare a proposal that seeks to stabilize electric rates as much as possible over the next year or two. This would enable utility customers, both business and residential, to plan and budget for the costs of electricity.

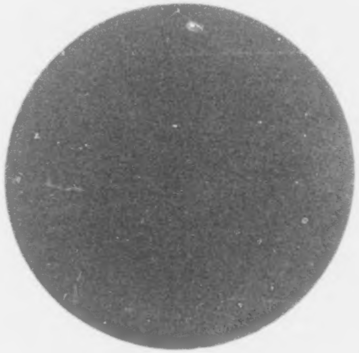
PG&E's Rate Stabilization Plan (RSP) filed in Application No. 82-02-09, intended to maintain rates of the same level for a 21-month period ending at the end of 1983. This was possible because an unusually good hydro year was producing a large and growing overcollection in the balancing account. Instead of lowering rates to all customers at this time, the program would defer lowering rates until other expense items have grown to reduce the overcollection to zero. The Commission, however, in Decision 82-04-117 did not accept PG&E's RSP. The reasons for denial were that the 21-months covered too many different proceedings, and the benefits of last year's extremely wet winter should be reserved for next winter's customers. The Commission deferred the reduction until a later ECAC proceeding.

LEVELIZED BILLING ORDERED

By Commission Resolution, dated April 6, 1982, gas and electric utilities were ordered to offer their residential customers a level pay plan wherein the previous year's total payments would be averaged and future monthly billings then projected to that customer's bills throughout the year for approximately the same amount each month. Adjustments would be made during the year for significant changes in usage or rates.

EMPLOYEE DISCOUNTS CHALLENGED

The impact of employee discounts on employee consumption patterns was addressed in Pacific Gas and Electric Company (PG&E) Application No. 60153. An attempt was made to test the validity of PG&E's claim that the employee discount does not have a significant effect on their employee's energy use. The issue is being further investigated in OII 104, which encompasses all the major California energy utilities including PG&E, Edison, and SDG&E. This proceeding, which will begin with hearings in August of 1982, will also address the question of whether other customers should pay, in their rates, for these employee benefits.



Conservation

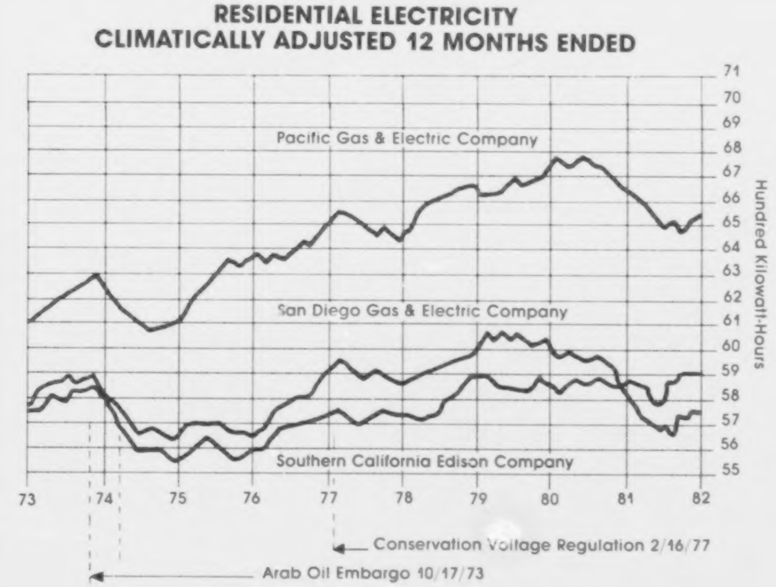
The Commission's staff monitors and evaluates a variety of utility energy conservation programs to accomplish utilization of an energy conservation program as a cost-effective alternative to new supplies of electricity and natural gas.

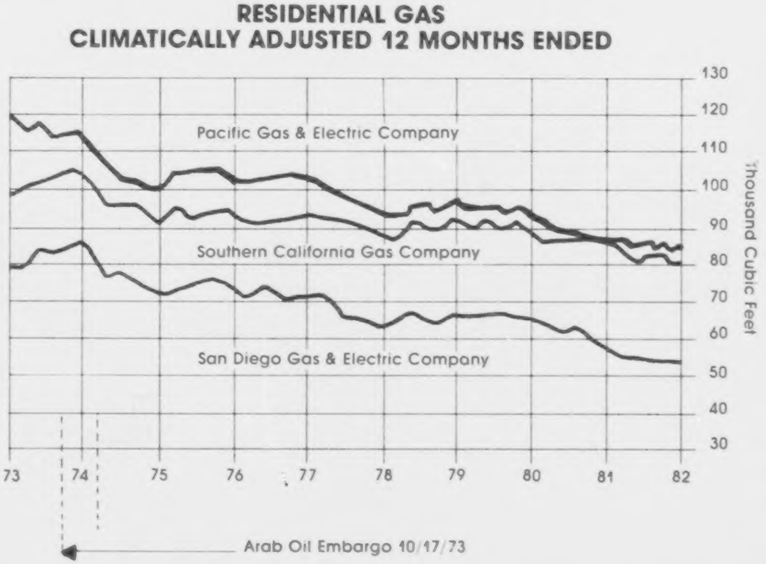
Utility energy conservation programs began in the mid-1970's and have since progressed through several stages in California. In the earliest stage, conservation activity consisted of simply providing energy-saving information to the public through advertising and by conducting on-site energy audits.

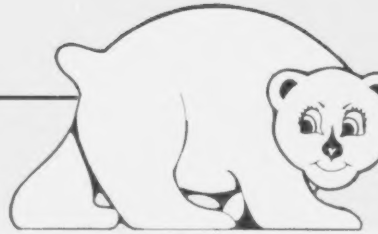
This was followed by the introduction of conservation incentive programs such as low interest loans to customers to finance the purchase of conservation hardware and devices. In the current stage—between 1979–81—a dramatic expansion of such incentive programs has occurred. In 1981 the three major California utilities provided financing and credits programs that made possible the insulation of 143,000 homes.

This surge of incentive program participation was in response to a PUC mandate that utilities become actively involved in programs to make efficient use of existing energy supplies and to promote alternative sources of supply, such as solar heating.

Utilities continued in 1981 to expand energy conservation incentives by offering zero







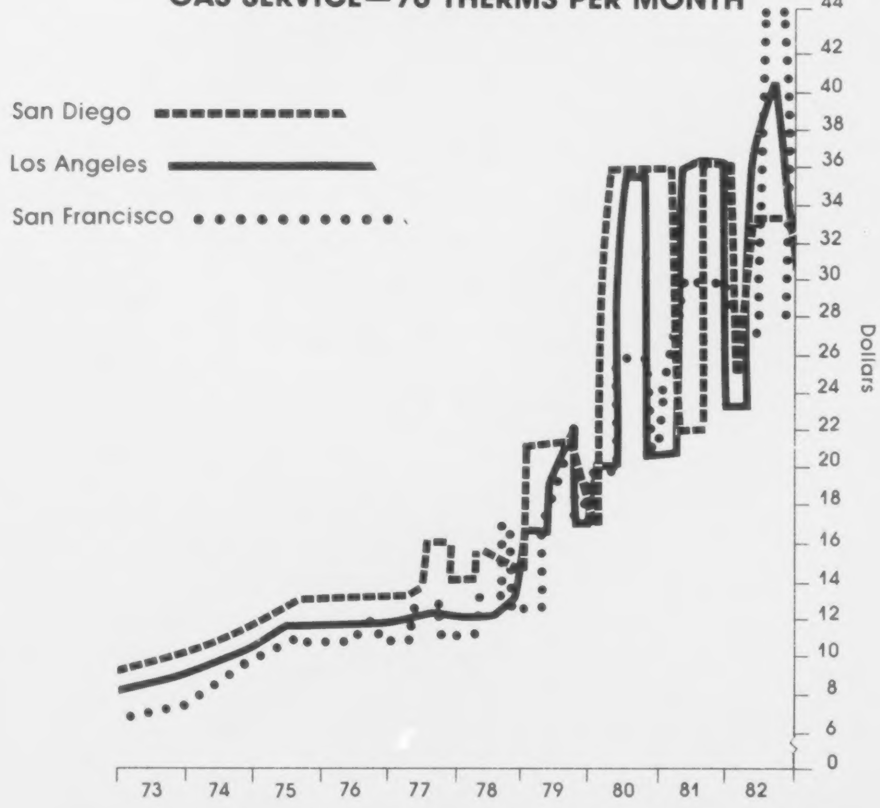
or low interest loans for the purchase of conservation apparatus as well as other incentives to encourage customer participation. They also expanded their activities to promote alternative energy supply sources such as solar water heating and electric cogeneration projects.

Utilities' enthusiasm for energy conservation programs is typified by recent comments of a Pacific Gas and Electric Company (PG&E) executive. He estimated that PG&E customers' conservation practices will save at least $7 billion in PG&E construction costs for electric power generation in the next 10 years—a 38 percent cost reduction.

In 1981 the PUC staff continued to encourage implementation of aggressive conservation programs by utilities and development of programs to prolong energy supplies. Besides monitoring and evaluating conservation programs in 1981 the staff:

- assisted utilities in designing zero and low interest loans to finance conservation activities such as attic insulation, duct-wrapping, weatherstripping and water heater blankets.
- advised utilities on the implementation of new conservation programs.
- coordinated resolution of problems as new conservation programs got underway.
- inspected innovative alternative solar energy systems and approved them for inclusion in future demonstration programs.

TREND OF MONTHLY BILLS
RESIDENCE GAS SERVICE
1973 THRU 1982
GAS SERVICE—70 THERMS PER MONTH



During the 1981–82 fiscal year the staff participated in public hearings on cash incentives to utilities in order to improve the quality and performance of their conservation programs. The outcome of this participation was the establishment of a method for rewarding one Southern California gas utility for its outstanding natural gas conservation achievements in 1981. The PUC gave the utility an opportunity to earn a $5 million rate of return award if it could beat its own conservation program goals. The utility exceeded its goals by 80 percent in the area of insulation financing and credits, and committed over $100 million to retrofit more than 190,000 homes in its service area with attic insulation. This resulted in a savings of 25.7 million therms of gas in 1981 alone.

ZERO AND LOW INTEREST CONSERVATION LOANS

Zero or low interest loans for the purchase of energy conservation devices for retrofitting existing appliances grew significantly in the 1981–82 fiscal year throughout California. The PUC, in December, 1981 ordered PG&E to phase out its eight percent attic insulation loan program and replace it with the Zero Interest Program (ZIP) loan. PG&E had previously used ZIP in its San Joaquin division. By the Spring of 1982 PG&E had begun processing more than 15,000 loan applications received from customers throughout its system. ZIP loans are used to finance mainly the "Big Six" among conservation measures. The Big Six includes attic insulation, caulking, duct-wrapping, weatherstripping and hot water heater blankets. Six other measures are eligible for ZIP loans if authorized by a prior Residential Conservation Service (RCS) audit recommendation.

By the end of 1981 the Southern California Gas Company (So Cal Gas) had financed over 150,000 eight percent attic insulation loans. The Commission, in February 1982, ordered So Cal Gas to expand this loan program to include Big Six conservation measures and seven others approved by RCS audit. By July 1982, So Cal Gas had granted 190,000 eight percent loans totaling over $1 million.

In late 1981 the Commission ordered the San Diego Gas and Electric Company (SDG&E) to institute a Big Six eight percent loan program. In response to the Commission SDG&E has granted 7,000 loans and now provides low-income weatherization credits and training to the San Diego Metropolitan Area Advisory Committee (MAAC) and to Project JOVE, which serves the area's economically disadvantaged population.

The Commission is currently conducting hearings designed to expand Southern California Edison Company's experimental ZIP program in that utility's desert service territory. Commission action has also made available low or zero interest loans from the four small California utilities.

NATURAL GAS CONSERVATION

About 90 percent of all Californians use natural gas for space and water heating. Therefore, weatherization activities save more natural gas than electricity. The natural gas saved by applying residential conservation measures is used as a clean fuel for power plants, helps displace higher-cost low-sulphur oil and reduces air pollution.

Over 1.5 million California homes have been retrofitted with attic insulation since 1976. In 1981, financing and credits programs of the three major California utilities made possible the insulation of 143,000 homes.

GAS FURNACE PILOT LIGHT TURN-OFF PROGRAM

The summertime Gas Furnance Pilot Light Turn-off Program simply requires that participating customers turn off their furnace pilot lights when warm weather begins and keep them off until October or November. The few minutes it takes a customer to do this can save 30 to 50 therms of natural gas which would have been wasted if pilot lights had been left on. In 1981 customer participation in this program generated a savings of 112 million therms of natural gas—one-third of the gas savings from all reported conservation activities for 1981.

The effects of natural gas conservation efforts in California can best be illustrated by pointing out that, even with increased power plant natural gas usage for boiler fuel, and over 900,000 additional customers, the three major gas utilities in 1981 sold 27.9 billion cubic feet (BCF) less gas than they did in 1976, prior to the energy conservation drive. This represents a 133 BCF reduction in recorded sales, or a decrease of 16 percent.

ELECTRICITY ENERGY USE AND CONSERVATION

The two most effective electric energy conservation programs are Conservation Voltage Regulation (CVR) and Commercial-Industrial-Agricultural Audits. Under the CVR program, the maximum allowable customer service voltage is reduced from 126 volts to 120 volts while maintaining a minimum voltage of 114. The reduced voltage results in lowered customer energy consumption.

The Commercial-Industrial-Agricultural Audit involves on-site inspection of business establishments by utility company auditors who thereafter submit recommendations to the customer on cost-effective energy conservation measures specific to the customers place of business. The utility auditor calls back periodically to remind the customer of these conservation recommendations and to find which of them the customer has implemented. The largest customers, those having a connected load of over 500 kilowatthours of electricity, are re-audited every year by California's largest utilities. In 1981 these nonresidential audits saved 1.6 million megawatt hours of electricity.

RESIDENTIAL ELECTRIC CONSERVATION PROGRAMS

In the PG&E service area, refrigeration in homes accounts for 27 percent of electricity used and lighting accounts for 14 percent. Fortunately, higher-efficiency refrigerators and lighting equipment are now becoming available. PG&E has initiated a program to make $50 cash rebates available to customers purchasing refrigerators that exceed state efficiency standards by 20 percent or more. Southern California Edison Company will initiate a similar program to provide a rebate to any customer who purchases a refrigerator that uses 80 kWh per month or less.

Water heaters account for about eight percent of residential electric use. The Solar Demonstration Financing and Heat Pump Water Heater programs benefit electric water heating customers.

LOAD MANAGEMENT

Load management programs represent another way of better using present energy supplies and relieve the need to build new supply facilities. Load management makes possible less plant utilization of expensive fuels and greater reserve margins during peak-use periods. The three types of load management are Time-of-Use (TOU) rates, Interruptible/Curtailable Rates and Direct Load Control.

Interruptible rate programs involve installing cycling equipment, ordinarily on industrial loads and air-conditioners which can be operated by remote control.

Time-of-Use rates encourage customers to minimize electrical usage during peak-demand periods by decreasing the rates during off-peak periods. Interruptible rates provide customers with lower rates in exchange for lower service levels. Time-of-Use rates reflect the cost of producing electricity. This cost varies with seasons and by the time of day. TOU rates encourage customers to shift electricity use away from the system peak, minimizing costs to consumers as well as to utilities.

Interruptible rates have resulted in a 67 MW load reduction for PG&E and 120 MW for Southern California Edison (SCE). Time-of-Use rates resulted in a 54 MW load reduction for PG&E and 43 MW for SCE. All utilities have time-of-use and interruptible rates.

The residential swimming pool program has been very effective. This program involves switching pool pumps to off-peak service levels through the use of specially-set trippers on pump time-clocks. PG&E use of this program in 1981 resulted in a 62 MW load reduction. SCE achieved a load reduction of 43 MW.

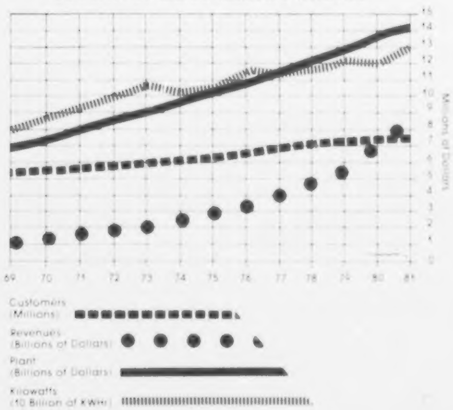
Southern California Edison's Demand Subscription Service is a special load management program. It offers a price discount for a limit on electric demand agreed-to by customers, and is available to customers with monthly consumption above 1,200 kw. The utility installed 2,600 triggering devices in 1981 and plans to install 120,000 more by 1986. The devices are electronic links that shut off the service of customers who have agreed to cut usage above a fixed level of demand on certain peak days. Participating customers are rewarded by lower rates in return for lower usage. The SCE Demand Subscription Service program is expected to reduce residential service load by 60 MW in 1983.

PG&E's Cooperative Electricity Management Project is another special load management effort. The objective of this program is to obtain voluntary city-wide peak load reduction for selected cities in its service territory.

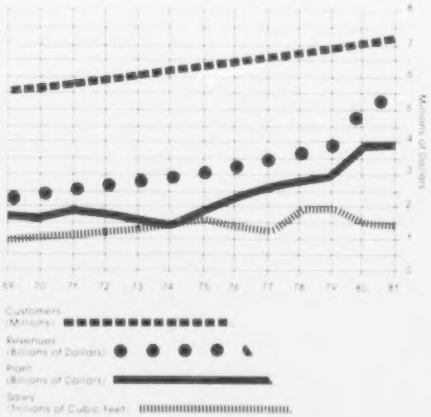
In 1981 an important TOU program emphasized TOU rates in the agricultural industry. This pilot project, funded jointly by the U.S. Department of Energy and California utilities, is expected to reduce peak-demand energy requirements by 300 MW in 1983.

By the end of 1981 load management programs had expanded dramatically. Approximately 280,000 utility customers were participating in load management programs, resulting in a load reduction of approximately 630 MW.

GROWTH OF LARGE ELECTRIC UTILITIES



GROWTH OF LARGE GAS UTILITIES



ALTERNATIVE ENERGY AND COGENERATION

The major California utilities are seeking to buy available alternative generation and cogenerated power that customers have and want to sell. Cogeneration usually involves the use of waste heat from industrial processes to generate electricity. The PUC has asked the utilities to seriously seek out all possible sources of available electricity from customers and other sources.

This effort, which began in 1976, has brought 348 MW of new capacity on line in California. PUC action has made it possible for power entreprenuers to be paid at the level of utilities' avoidance of generation costs. This has given impetus to business opportunities for small hydroelectric, wind, agricultural and forest waste generation operations, along with more traditional cogeneration projects.

SUMMERTIME ELECTRICAL EMERGENCY CONTINGENCY PLANNING

After public hearings in the Spring of 1981 the PUC adopted a rule that increased utilities' abilities to meet unexpectedly high electricity demand and compensate for unexpected power plant failures.

The PUC staff worked with California electric utilities to develop Electricity Capacity Shortage Contingency Plans to cope with power shortage emergencies during the period June 1 through October 31.

Under Commission direction, the staff monitors the daily electric capacity and usage during peak-demand periods during the summer. On the basis of data received from the state's five largest electric utilities, the staff prepares a daily status report which forecasts electric capacity and peak-demand for that day. These reports inform the Commission of possible electric energy supply shortages resulting from power generation failures caused by hot weather.

The success of the emergency contingency plan during the summer of 1981 was due to coordination of load sharing by utilities in order to maintain adequate capacity margins to meet predetermined service requirements.

SOLAR WATER HEATING

The PUC first ordered California's four major energy utilities to implement solar water heater financing demonstration plans. PG&E, Southern California Edison, Southern California Gas and San Diego Gas and Electric companies set a goal of installing 379,000 solar water heating units and achieved the installation of nearly 47,000 in 1981—12 percent of the goal and half the solar heaters installed nation-wide.

Energy conservation incentives by these companies were originally to include low interest loans and rebates, but the utilities' 1980 experience with the program has inclined them to favor rebate programs over loan programs.

In 1981 the four major California utilities approved 40,451 solar water heating rebates and 6,219 loans. Response to the incentive program was greatest in the single-family sector, and most of the available rebates were used up early in the program. Because response to the program in the multi-family market was less enthusiastic, utilities are making efforts to improve penetration of this market in 1982.

Utilities will provide an additional $175 million in financial incentives to ratepayers over the years, due to the initial success of the program.

1981 ENERGY SAVINGS

In 1981 California utilities spent nearly $150 million on energy conservation programs. This resulted in savings of 245.7 million therms of natural gas and 4.57 billion kilowatthours of electricity. These savings are even larger when you combine them with residual energy conservation results from previous years, and the cost of these programs is less than the cost of developing new resources to supply the same amount of energy.

Computerized energy conservation cost-and-benefit analyses of solar water heating demonstration programs in California were conducted in 1981 by the PUC staff. These studies show that an estimated $425 million in energy costs will be saved over the 20-year life of the energy conservation program and approximately one million barrels of oil per year will be conserved. In addition, an alternate energy resource is being provided, jobs are being added and sales tax revenue is being generated in California.

Other Energy Issues

DECOMMISSIONING OF NUCLEAR POWER PLANTS

To protect the public health and safety, provisions must be made for the dismantling of a nuclear power plant when it reaches the end of its productive life. All radioactive materials, including all contaminated structures, must be removed from the site to a place of permanent storage. This procedure of retiring a nuclear power plant is termed decommissioning.

The costs of decommissioning a nuclear power plant are unknown, because no permanent storage method is currently available. The Commission has instituted an investigation on its own motion (OII 86) into the methods of financing nuclear facility decommissioning costs. The purpose of this investigation is to adopt a method of financing nuclear decommission costs which will ensure that the funds will be available at the time decommission occurs (some thirty years after a plant begins operation), and which will equitably allocate costs between current and future ratepayers. The Commission is expected to reach a decision on this matter before the end of 1982.

STATUS OF LNG

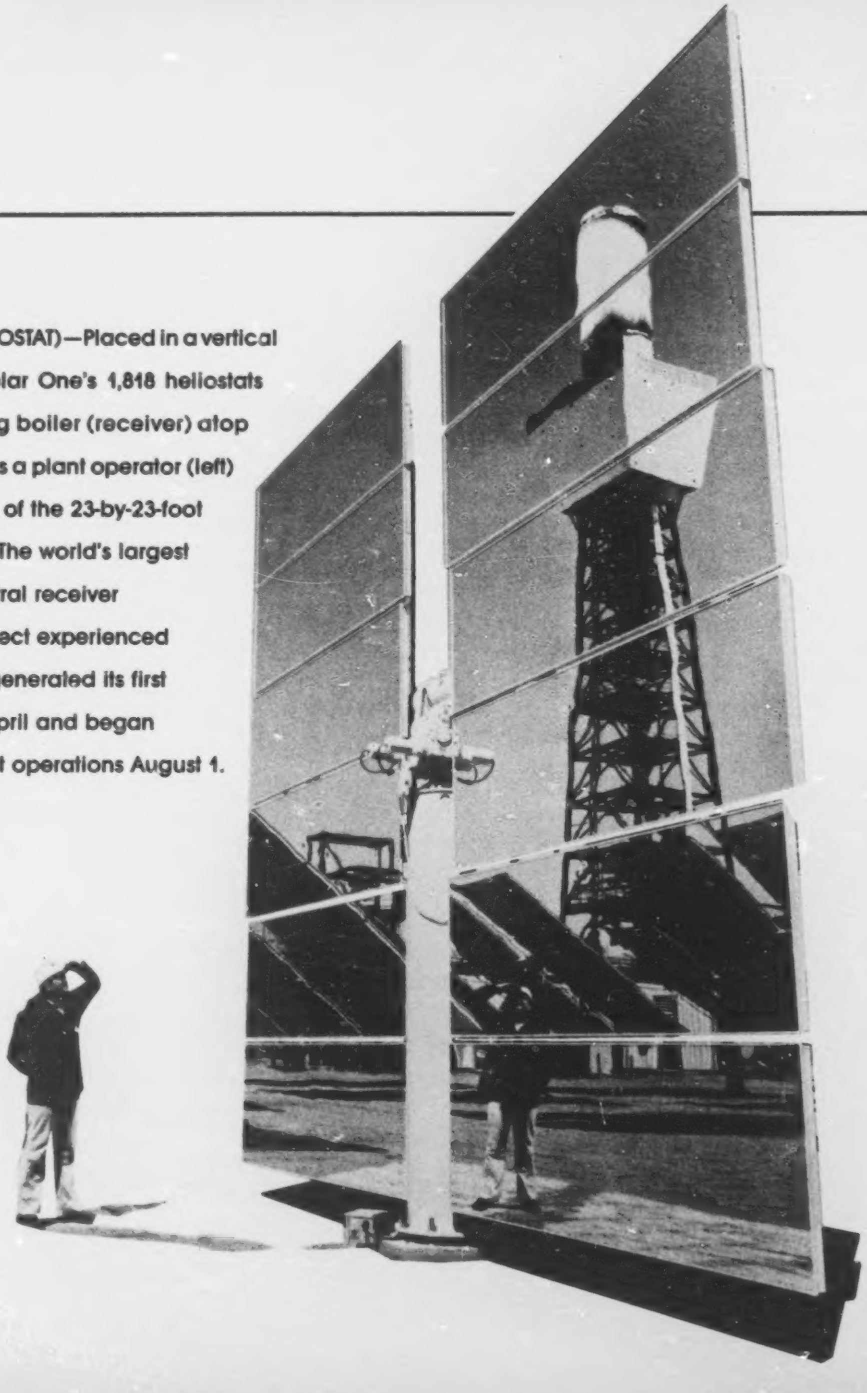
This past year the Commission completed all hearings on the suitability of siting an LNG receiving terminal at Little Cojo Bay in Santa Barbara County. The Commission's LNG Seismic Review Panel issued its report on the seismic safety of the proposed terminal, finding that if its recommendations are adopted, the site would be seismically safe. Hearings were held on this report, and a final decision of the Commission on site suitability is expected this fall.

Due to the lapse of four years since granting Western LNG Terminal Associates a conditional permit and because of changing circumstances on the economic viability of LNG projects, the Commission will probably issue a decision dealing with the future of LNG in California.

HELMS PUMPED STORAGE PROJECT

The Helms Pumped Storage Project of PG&E is a large, underground hydro-electricity project located about 50 air miles from Fresno. It is designed so that during the periods of peak demand water power generates electricity. The water is then pumped back uphill to storage during off-peak times. Commercial operation of the plant is scheduled for the end of 1982. The total project is estimated at more than $700 million, which is well above the estimated cost of $381 million.

The staff was directed to investigate allegations of mismanagement, theft and criminal wrongdoing at the project. Based on its investigation, the staff issued its preliminary



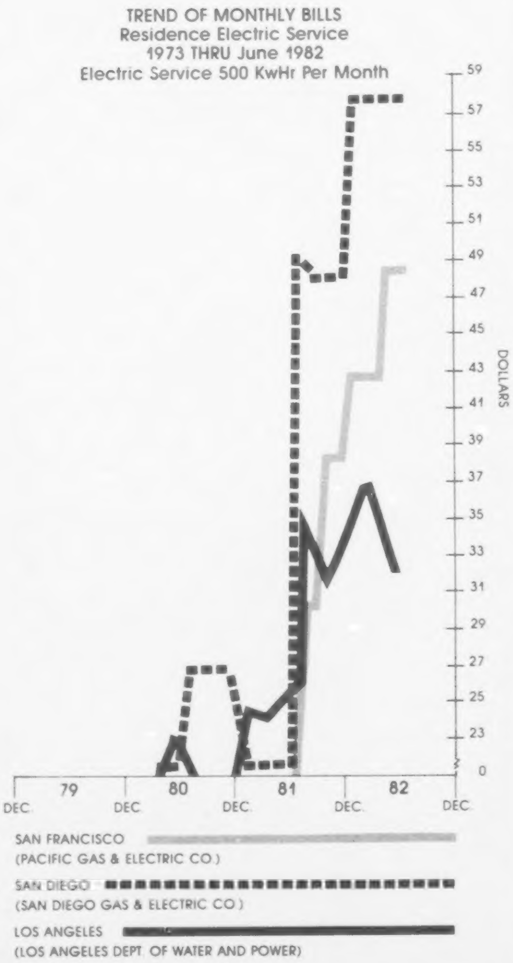
GIANT MIRROR (HELIOSTAT)—Placed in a vertical position, one of Solar One's 1,818 heliostats reflects the glowing boiler (receiver) atop the 300-foot tower as a plant operator (left) indicates the scale of the 23-by-23-foot reflective surfaces. The world's largest solar-powered central receiver demonstration project experienced "turbine roll" and generated its first electric power in April and began official five-year test operations August 1.

investigation report in December 1981. The Commission ordered an investigation to receive and evaluate the staff report on Helms on January 5, 1982 (OII No. 82-01-001). While the hearings were underway, PG&E filed an application for rate increases to offset costs associated with Helms. A decision was made to suspend the OII hearings and combine them with the offset proceedings. Hearings in the offset rate proceedings are to begin in the fall.

TRANSMISSION LINE PLANNING TASK FORCE

In late 1981, the Commission's management committee established a Transmission Line Planning Task Force. The task force is composed of representatives of the Utilities, Revenue Requirements, Policy and Planning, and Legal Divisions.

The task force was established in response to the significant number of large transmission line projects which have appeared before the Commission in recent years and are anticipated to continue to come before the Commission over the next several years. Many of these projects are the result of California's electric utilities changing the methods by which they produce electric energy and the location in which these facilities are being placed. Energy purchases from nuclear and coal facilities in southwestern states, the development of wind, solar, and geothermal facilities and expansion of utility interconnections, are all factors. The task force recommends methods by which the Commission can improve its regulatory review of the projects.


TREND OF MONTHLY BILLS
Residence Electric Service
1973 THRU June 1982
Electric Service 500 KwHr Per Month

EASTERN INTERCONNECTION PROJECT

In response to the need for San Diego Gas & Electric Company to ease its inordinate dependence on oil and natural gas for electrical generation, the Commission on December 1, 1981 approved construction of the "Eastern Interconnection Project," a 280 mile transmission system connecting the electric power networks of the Phoenix, Arizona and the San Diego regions.

The project will enable the utility to secure delivery of its contracted Arizona and New Mexico power purchases, will furnish access to the economy's energy market, and enhance system reliability. The primary components of the interconnection are a double circuit 230-kV transmission line from Mission Tap to Miguel Substation, both in San Diego County and a single circuit 500-kV line from Miguel to the Palo Verde Nuclear Generating Station switchyard in Arizona. A comprehensive mitigation and monitoring program designed to reduce the environmental impacts of the project was imposed.

Petitions for rehearing filed by six of the parties to the proceeding were denied March 16, 1982. Subsequent challenges to the decision were filed in California Supreme Court by Community Energy Action Network and Imperial Valley Corridor Committee.

EDISON TRANSMISSION LINE PROJECTS

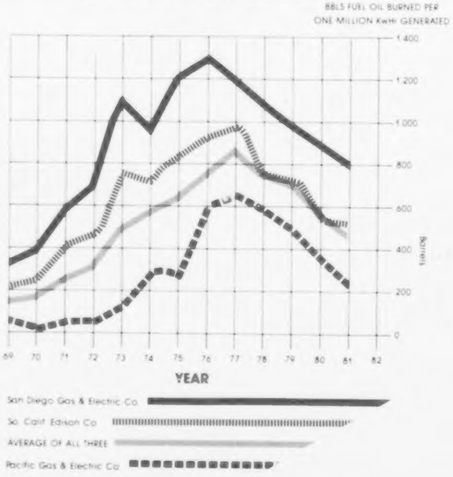
Southern California Edison Company has two transmission line projects being worked on by the Commission staff. One project is a 220 kV transmission line between Devers and Mirage Substations (near Palm Springs area in Riverside County). Two staff reports are being prepared (1) an environmental report and (2) a need determination report.

Another project that the staff is working on is a 500 kV transmission line between Devers and Valley Substations and a 200 kV transmission line between Serrano and Villa Park Substations. A draft Environmental Impact Statement (EIS) and Environmental Impact Report (EIR) was prepared jointly by our staff with the US Department of Agriculture, Forest Service and hearings were held on this draft EIS/EIR in August 1981. On December 11, 1981 the Western Riverside County Energy Coalition (Coalition) filed a motion to suspend the proceedings in A-59982 and reject or supplement the draft EIS/EIR. On February 17, 1982 the Commission issued its decision (82-02-082) on the Motion and ordered the staff to prepare a Supplemental draft EIS/EIR.

EDISON HYDROELECTRIC PROJECT

Hearings for Edison's Balsam Meadow hydroelectric powerhouse located in the Big Creek area in Fresno County were held in March and April 1982. The Commission issued an Interim Order (dec. 82-06-051) on June 4, 1982 granting Edison a certificate to construct and operate a hydroelectric powerhouse of up to 200 MW capacity. Further hearings will be held to determine the optimal facility size of the project. The Commission also certified that the Final EIR was completed in compliance with California Environmental Quality Act (CEQA).

FUEL OIL PORTION OF THE MIX NEEDED TO GENERATE ONE MILLION KwHr OF ELECTRICITY



GEOTHERMAL TRANSMISSION LINES

Environmental Impact Reports were prepared by the Commission and the California Energy Commission (CEC) for transmission lines proposed by PG&E to transport geothermal-generated electricity from the Geysers area. The decision issued by the CEC on its project has been appealed to the courts.

SAFETY PROGRAMS

To ensure compliance with gas safety regulations, the PUC staff conducted field investigations during the past year. Investigations into gas accidents were also conducted to determine the accident causes and to identify remedial action.

PUC and National Transportation Safety Board (NTSF) engineers also investigated a major gas accident in San Francisco's Financial District which attracted national attention. It caused PCB-contaminated gas to escape under high pressure, resulting in the mass evacuation of 30,000 persons. A number of recommendations have been made for prevention and reduction of such accidents in the future.

The electric safety staff conducted field inspections to ensure utilities' compliance with the safety and reliability standards of electrical telephone and Cable TV systems. During the year miles of facilities were inspected and infractions of regulations were reported for corrective action.

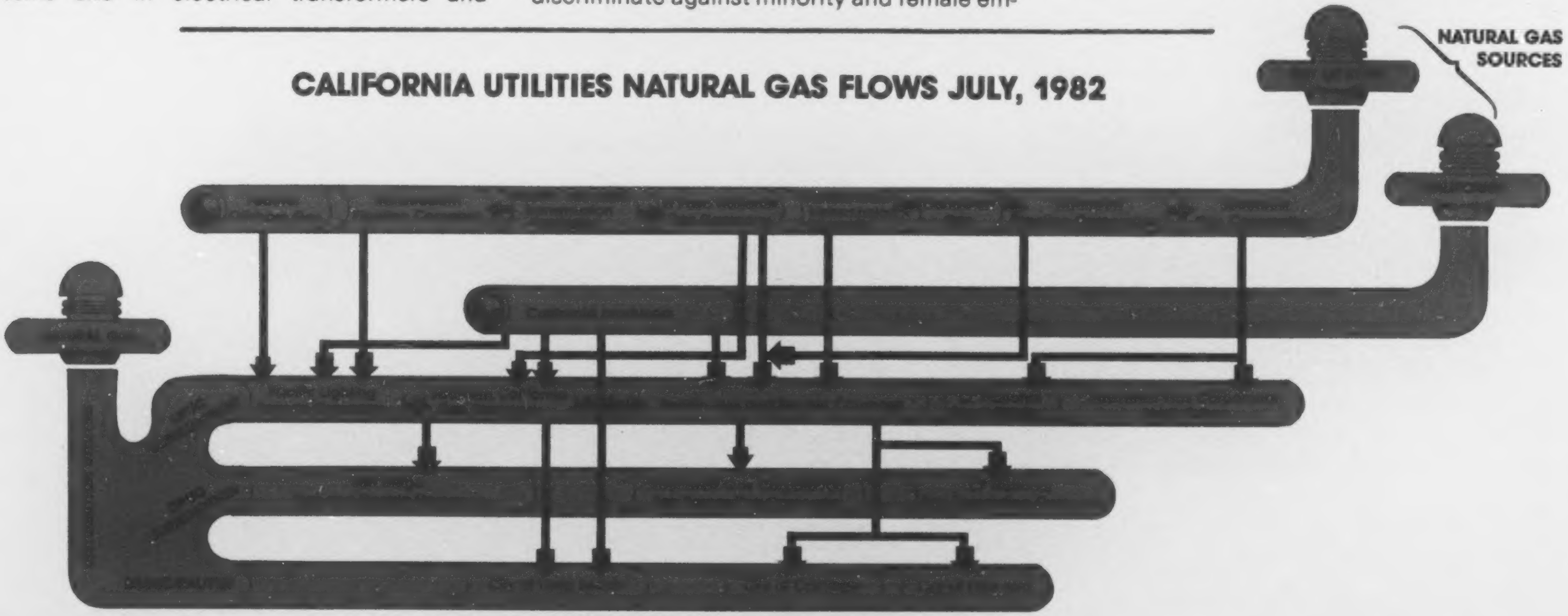
Four major power failures occurred involving from several thousand to more than one million customers. They lasted from a few minutes to several days and were caused by transfer trip failure, storm damage, lightning, etc. Staff engineers investigated the major electric failures in the Sierra foothills and the fire damage in the city of Anaheim.

The presence of PCBs in gas pipeline systems and in electrical transformers and capacitors is being studied by the staff. Based on the results of this study, a mitigation plan will be developed with a timetable for PCB cleanup.

FAIR EMPLOYMENT AND CONTRACTING PRACTICES

During 1981, the PUC continued its investigation of the employment and contracting practices of the major California utilities. The focus and goal of this investigation, Case 10308, is to ensure that these utilities do not discriminate against minority and female employees and businesses. The Commission held hearings in November of 1981 and January of 1982, during which utility witnesses presented evidence on their employment and contracting policies and practices.

To evaluate those policies and practices, the Commission has hired a consultant to perform an independent investigation of the utilities. The consultant has prepared a report, and will testify at PUC hearings scheduled for San Francisco in July of 1982. At the hearings, he will submit his conclusions and recommendations to the Commission.



CALIFORNIA UTILITIES NATURAL GAS FLOWS JULY, 1982

TELECOMMUNICATIONS

A landmark agreement to split the vast Bell empire into regulated and non-regulated segments was reached in Washington, D.C., on January 8, 1982. It was the most important of several developments emanating from the nation's capitol during 1981–82 that will have a profound effect on telephone service and rates in California.

Under the agreement, the U.S. Department of Justice and AT&T ended an eight-year-old antitrust suit by proposing that AT&T divest itself of its 22 local operating companies, including Pacific Telephone. AT&T would continue to control the more lucrative aspects of its business—equipment and interstate long-distance calling—through retention of its research facility, Bell Telephone Laboratories; its equipment manufacturing unit, Western Electric; and the Long Lines Department.

Of startling concern to California was the agreement that AT&T take over two equally lucrative aspects of Pacific's operations—yellow page advertising and certain intrastate long-distance operations now under PUC jurisdiction. In exchange for divesting itself of operating companies like Pacific, AT&T would be allowed to participate in certain competitive markets it is now barred from entering.

Early analysis revealed that Pacific Telephone would be left with an immediate and drastic revenue shortfall, estimated at somewhere between $2 billion and $4.5 billion. Local telephone rates might have to triple because of the divestiture if it were adopted as proposed in the agreement. It seemed certain that a rate increase of that magnitude would destroy the concept of "universal" telephone service for California, where basic service has been within the financial reach of nearly all citizens.

To protect California's interests, the PUC became active on two fronts. First extensive comments were filed in April, 1982, with the United States District Court in charge of the divestiture agreement expressing California's concerns. In June, the PUC filed briefs with the presiding judge on a number of issues he had designated for further elaboration. The PUC's position was essentially that California would not oppose the divestiture, *provided* it presented safeguards to protect the financial and operational viability of Pacific.

Secondly, the PUC provided detailed information to the House of Representatives about a proposed bill that would attempt to place reasonable safeguards on the pending divestiture. PUC President John E. Bryson appeared before a Congressional subcommittee to appeal personally for provisions that would protect California telephone users. Bryson also appeared before the District Court as the representative of all state commissions nationwide to voice concerns about the transfer of certain assets from PT&T to AT&T.

Although neither the Court nor Congress reached final decisions on the proposed divestiture during fiscal 1981–82, the PUC set wheels in motion to allow Pacific Telephone customers to purchase their own Bell equipment prior to the anticipated take-over by AT&T. A proposal was distributed and publicized in April to offer customers using some 14 million single-line Bell telephones the right to buy them outright or on an installment basis at prices fixed by the PUC while the Commission still retains control.

INSIDE WIRING ACCOUNTING CHANGE

In 1980, the FCC ordered a change in accounting that requires installation of telephone wiring inside a customer's premises to be treated as an expense the phone company can recover through charges to the customers involved. Prior to the FCC directive, inside wiring had been treated as an investment of the phone company, just the same as telephone poles, switches, and the many other types of equipment a utility uses to serve the public. Under that system, all customers contributed to the cost of inside wiring through rates based on the utility's investment.

In December, 1980, the PUC opened an investigation (011-84) to bring California's phone companies into compliance with the FCC ruling. In decisions issued November 13, 1981, and January 19, 1982, the PUC adopted a period of ten years for the phone companies to write off the inside wiring costs already embedded in their investment base and to account for all new inside wiring as an expense.

As a result, rate increases of $264 million were authorized for Pacific and General Telephone respectively, with the other independent phone companies receiving comparable amounts for their size. Although the accounting change resulted in initial rate increases, the write-off of house wiring will eventually result in lower rates for California telephone subscribers and will also shift the cost burden from the general customer to those who cause—and benefit from—the expense.

A second phase of 011-84 is proceeding to establish rules and standards for customers who in the future may want to contract with others than the phone company to install new wiring or modify existing installations.

SUNSET SILHOUETTE—Two General Telephone outside plant installer-maintainers change telephone aerial cable in the Malibu area.

General Rate Cases

Pacific Telephone

On August 4, 1981, the PUC granted Pacific Telephone $610 million of the $790 million requested by the utility. Authorized rate of return on total invested capital was set at 12.91%, an increase from Pacific's last authorized return of 10.25%.

The PUC found that Pacific will invest about $2.9 billion a year over the next two years to modernize and expand its system. Some of this investment will come from company revenues, but more than half must come from an infusion of capital and the rest at very high interest rates.

The decision turned down the large increases requested by Pacific in charges for older business terminal equipment. Opponents of Pacific's proposal charged that Pacific was deliberately adopting procedures to reprice old business equipment out of the market and force customers to install newer types of equipment offered by the Bell system under long-term contracts.

GENERAL TELEPHONE

On June 15, 1982, the PUC granted General Telephone $192.6 million of the $296 million the utility had requested, for a return on investment of 12.78%

A unique aspect of the General decision was the granting of a late payment charge for the first time in California. A charge of 1.5% to be applied to the unpaid balance of a customer's bill was granted in the hope it will encourage more customers to pay on time, thus reducing General's need for short-term borrowing and reducing costs overall.

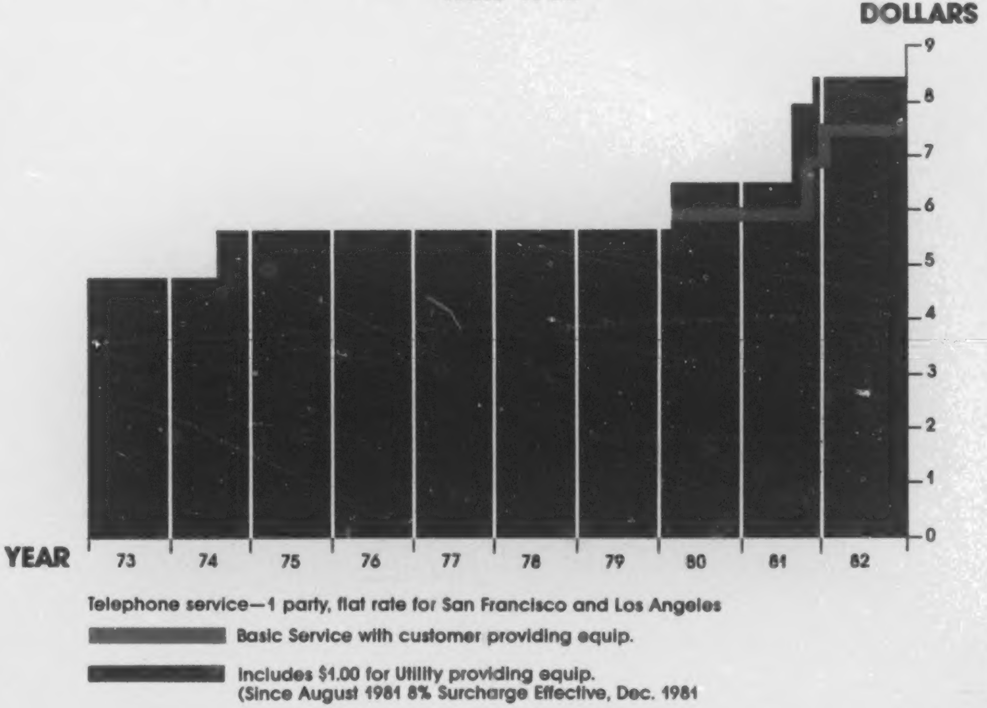
In an interim decision issued in April, the PUC tried a new approach to encourage service improvements where they are needed most. The approach credits customers' bills by $1.40 per month per telephone line in areas where service is substandard. Which areas qualify will be determined by two tests: a measure of how many directly dialed calls fail to go through to completion during peak hours of the day and the number of trouble reports per hundred telephone lines. Customers will receive the $1.40 credit if served by any central office where these indices show that service has been sub-standard for any two months of a three-month reporting period.

Another avenue taken to encourage better service was the requirement that General use competitive bidding for central office switching equipment. In the past, this equipment, purchased from a General affiliate, was often outdated and of poor workmanship, thus depriving General's customers of state-of-the-art advances enjoyed by other California phone subscribers.

Advances in Technology

A number of significant changes due to advances in technology occurred during 1981–82 to improve telephone service in California. They include:

- Conversion of Pacific's radiotelephone service to a full dial basis,
- Provision of computer-activated voice handling of coin toll calls, with no live operator required,
- Expansion of digital toll switches,
- Expansion of plans for fiber optics to provide links between all of California's largest cities—Los Angeles, San Diego, San Francisco, Oakland, San Jose, and Sacramento. The proposed fiber optic network in California is the largest in the Bell system after the Boston-to-Washington network on the East Coast,
- Expansion of measured rate local service,
- Conversion of all Pacific telephones in the residential sector to modular jacks. This program will make it easier for customers to use phone stores, doing away with the need to have phones installed by Pacific on the premises.


TREND OF MONTHLY BILLS Residence Telephone Service 1973 THRU 1982

CELLULAR MOBILE RADIO SERVICE

A new billion dollar industry is being created in the telecommunications field—cellular mobile radio service.

At present, mobile service is restricted by a limited number of available channels and is characterized by poor signal quality near the limits of the area.

The new cellular system offers a larger number of stations per area—over 60 in some cases—and provides signal quality comparable to a conventional telephone.

Applications for licenses to operate cellular systems in the 30 largest metropolitan areas throughout the United States were filed with the FCC on June 7, 1982. Three California cities—Los Angeles, San Diego and San Francisco—have multiple applicants, from which two for each area will be selected.

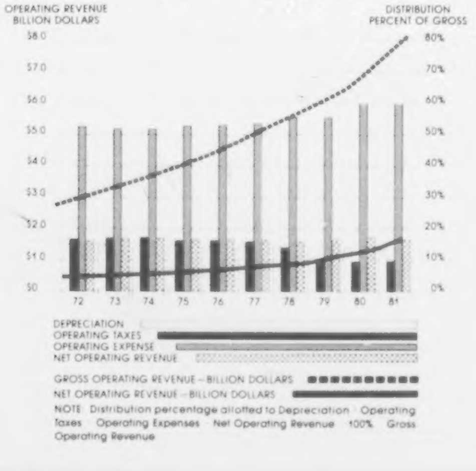
The cellular systems will be in great demand during the 1984 Olympic games in Los Angeles, particularly by the press, since locations of the various events will be spread over a wide area.

JOINT BOARD ON TELEPHONE SEPARATIONS

The PUC's Communications Division has been active in the Federal-State Joint Board established by the FCC in 1980 to consider revisions to separations procedures. Telephone separations involve allocation of direct costs, as well as joint and common costs, of operating local telephone systems

NOT AN OPTICAL ILLUSION—General Telephone work crews install conduit in the Long Beach area, containing fiber optic cable. Fiber optic cable—comprised of tiny strands of fiberglass, is much smaller in size, lighter in weight, easier to install and has much higher call-carrying capacity than traditional cable.

ROAD
CONSTRUCTION
AHEAD



DISTRIBUTION OF GROSS OPERATING REVENUE LARGE TELEPHONE UTILITIES IN CALIFORNIA

between state and interstate operations.

Proposals have been made to the Joint Board which would substantially reduce the costs allocated to interstate operations, proposals which could result in a doubling of local exchange rates.

The Joint Board consists of three FCC commissioners and four state utility commissioners, including Commissioner Richard D. Gravelle of California.

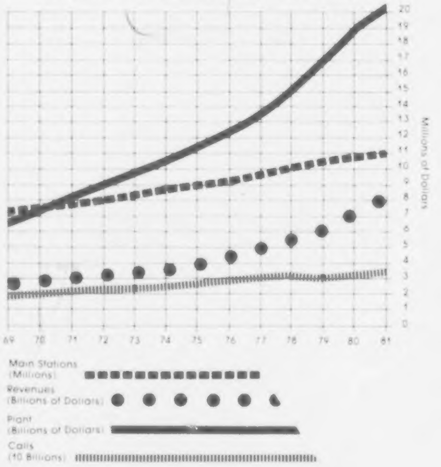
WESTERN UNION

Western Union's request to bring its California tariffs into line with FCC interstate rates for Telex and TWX services was approved by the PUC in December, 1981. These services are now "postalized," meaning a customer is now charged for the amount of information being transmitted rather than by the distance it travels. This change is appropriate because Western Union's automatic routing system transmits by the most efficient and expeditious route, which is not necessarily the shortest available.

TARIFF ADMINISTRATION

During 1981–82, the PUC's staff reviewed utility tariff filing for new terminal equipment and service, developed separation plans, and provided liaison with the FCC. The staff reviewed 527 tariff proposals, 666 advice letters, 8,323 tariff sheets, 157 resolutions, 7 contracts and 8 intercompany agreements.

GROWTH OF LARGE TELEPHONE UTILITIES



WATER

The Commission implements and enforces regulatory requirements for 333 investor-owned public water systems and 18 sewer systems located throughout California.

Rate proceedings for 19 major water companies and one sewer company are processed by the Revenue Requirements Division, while the Hydraulic Branch's responsibilities include the smaller water companies and sewer utilities.

During the fiscal year, 91 water rate proceedings and one sewer rate case were processed. They resulted in estimated annual revenue increases of $2,663,175 for the smaller water utilities and $690 for the sewer utility. The staff also processed 369 advice letter filings, which do not require formal public hearings, related to a variety of service and certification issues. In addition, the staff participated in 142 formal actions related to service and certification which resulted in Commission decisions.

The Hydraulic staff's responsibilities include investigating rate increase requests, processing applications for certificates of public convenience and necessity, and for the transfer of utility plant. Other activities involve establishing and enforcing service standard and rules, investigating complaints, responding to customer and public inquiries, monitoring compliance with PUC decisions and managing and interpreting tariff schedules.

As a result of an agreement with the state Department of Real Estate, the Hydraulic staff also evaluates the ability of regulated water utilities to provide adequate water volume and pressure to new subdivisions for both domestic consumption and firefighting.

The Water Section of the Revenue Requirements Division has responsibility for staff supervision of the rates of 19 major water utilities, with 69 separate districts. These staff engineers prepare R/O (results of operations) reports for general rate increase requests and are responsible for processing all phases of a rate proceeding, including rate design.

Preparation of the R/O reports requires reviewing the earnings and the attrition projections, efficiency of operations, water conservation efforts and quality of service of water companies. This section completed 20 proceedings during the past fiscal year.

General rate increases are processed through the application procedure, while offset increases are handled through the advice letter procedure. These offsets are pass-through increases which reflect increased costs for purchased power, purchased water, or other significant water expenses. These are acted on by PUC resolutions and may include general rate increases for the smaller districts of the major water utilities. During the past year, 31 advice letter increases and resolutions were processed by the Commission.

Rate design for water utilities has emerged as a major issue. As a result of the drought in 1977, the PUC, in an effort to promote water conservation, moved toward a rate design policy that sought to obtain a greater percentage of total revenues from the quantity blocks, with the remainder coming from the service, or demand, charge. Given the availability of water, the variability in water use and the relatively uncertain economic climate, the water utilities are now seeking to increase the percentage of revenue from the service charge as a means of stabilizing earnings. The Commission is in the process of reviewing its policy on rate design.

APPOINT RECEIVER FOR WATER AND SEWER COMPANIES

On September 2, 1981, the PUC obtained an order from the Superior Court of Merced County placing Winton and Riverdale water companies into receivership. This is the first case in which the Commission has exercised its new power under Section 855 of the Public Utilities Code to seek the appointment of a receiver for water and sewer companies which are unwilling or unable to adequately serve their ratepayers. Here, the receiver's duties included halting the pumping of pesticide-contaminated water and assuring that all monies received by the water companies were properly accounted for.

REVISED WATER MAIN EXTENSION RULE PROMOTES CONSERVATION

The Commission on January 19, 1982, revised the Uniform Main Extension Rule (Rule No. 15) for water utilities. Recognizing the continuing need for water conservation, the Commission ordered the larger water utilities to encourage local authorities to adopt water conservation measures in local building codes and/or ordinances. These measures, which must be continued in a main extension contract if they are included in local building codes and/or ordinances are: low volume toilets, flow restrictors in shower heads and faucets in new buildings; and automatic irrigation systems for landscaped areas designed by competent persons and set for early morning irrigation.

The Commission also recognized that the previous rule created hardships in the form of cash-flow and financing problems for some utilities where advances for construction constitute the major portion of the water system. As revised by the Commission the main extension rule now provides for a refund of the advances to the contract holders in an annual amount equal to 2½ percent of the total cost advanced. The previous rule provided for repayment based on 22 percent of the annual gross revenue from the customers in the development served by the main extension. Thus the period of time for the utilities to refund the total amount advanced has been substantially increased.

California Water Service Technician checks depth at Los Altos Hills Water Company.

LOCAL FIRE CHIEFS SET FIRE FLOW REQUIREMENTS

The Commission on April 21, 1982 revised General Order No. 103, the rules governing standards for water service. Recognizing that throughout California there are widely varying conditions bearing on fire protection, G.O. No. 103 now provides that fire protection standards prescribed by the local jurisdictional agency will govern. A Uniform Fire Hydrant Service Agreement was adopted for use by the water utilities and local fire protection agencies. The revisions also reflected changes to the Public Utilities Code, and clarified the General Order. They are intended to reduce the regulatory workload.

REVISED WATER SUPPLY QUESTIONNAIRE

The Commission staff revised the Water Supply Questionnaire to reflect the revised fire flow requirements of the Commission's General Order No. 103. The local fire protection agency requirements for fire flow now prevail whether greater or less than those considered appropriate by the Commission for application on an average statewide basis.

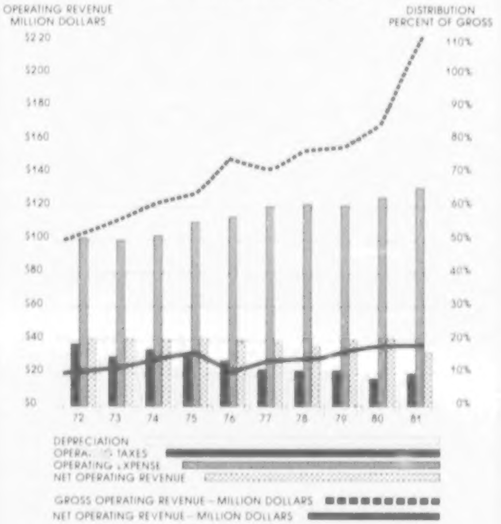
The staff made additional revisions to the questionnaire to provide more data to assist the staff in analyzing the water utilities' capabilities to serve additional customers. The staff reviews these questionnaires in cooperative arrangement with the State Department of Real Estate and prospective developers of subdivisions or other additional facilities in a utility's service area.

LIMITATION PLACED ON WATER RATE INCREASES

In February 1982 the Commission adopted a policy of not authorizing a rate increase greater than 50% during a single year for large water utilities. This policy also places a "cap" of 100% on the smaller water utilities unless: (1) a larger increase would be required to eliminate a negative rate of return or out-of-pocket loss; or (2) a large increase is based on large investment for new facilities primarily to improve service. The increase in excess of the "cap" with interest would be deferred to the following years.

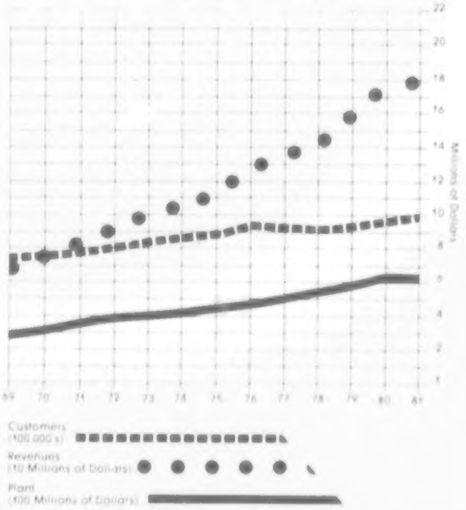
The "cap" will lessen the burden of a large rate increase on consumers. Rate increases would occur in a more orderly manner and the consumer would be better able to budget for utility rate increases.

DISTRIBUTION OF GROSS OPERATING REVENUE LARGE WATER UTILITIES IN CALIFORNIA



NOTE Distribution percentage allotted to Depreciation · Operating Taxes · Operating Expenses · Net Opera'ing Revenue 100% Gross Operating Revenue

GROWTH OF LARGE WATER UTILITIES



MOTOR CARRIERS OF

THE REREGULATION PROGRAM MOVES FORWARD

The PUC's program for motor carrier regulatory reform, initiated several years ago, continued to move forward this last year. Further easing of rate regulation was evidenced by the cancellation of minimum rate tariffs for carriers of cement, automobiles, trailer coaches, campers and mobile homes in early 1982. Considering the list of previously cancelled minimum rate tariffs, the accumulated changes now affect almost three fourths of all motor carrier commodity transportation charges which had been subject to intrastate economic regulation.

ENFORCING THE REREGULATION PROGRAM

To ensure the success of trucking reregulation, comprehensive and decisive enforcement of rules and regulations must be accomplished. This fiscal year, efforts of the Commission staff were redirected from the educational program necessary when reregulation was launched, to an intense enforcement program aimed at carriers who do not comply with the requirements of the new regulatory system. This involved an increase in field audits of carriers' records and more time to determine if highway contract carriers were complying with Commission requirements to file written contracts.

The Commission will be reemphasizing the Interstate Motor Carrier Registration program. This procedure allows the Commission to verify evidence that the carriers who transport interstate shipments possess public liability and property damage insurance coverage required of carriers traversing state highways, whether regulated by the Interstate Commerce Commission or exempt from its jurisdiction.

In a further effort to strengthen enforcement activities, the PUC instituted a toll-free 800 number to enable carriers to make complaints regarding operating authority or rate violations directly to the Compliance and Enforcement headquarters.

REGULATING MOTOR CARRIERS SERVING FOREIGN COMMERCE VESSELS

Various court decisions have held that the intrastate motor transportation of shipments which will be, or have been, transported by private water vessel are not "interstate commerce" within the meaning of the Interstate Commerce Act, and the states may take jurisdiction over such motor transportation. Because of serious difficulty in identifying the nature (i.e., private or common carrier) of the vessels performing the transportation before or after the truck movement, and thus determining whether the motor transportation was within interstate rather than intrastate regulatory purview, the Commission, by Decision 90802 in 1979, ordered an exemption for motor carrier traffic which had been preceded or followed by private carrier vessel movement.

Upon appeal, the State Supreme Court reversed this decision in 1980 finding that the Commission could not exempt such transportation from economic regulation without giving consideration to the economic impact on domestic producers of similar goods.

Subsequent to this ruling, in 1981 the PUC issued Decision 93459 which advised parties of interest that it intended to apply and enforce economic regulation of motor carrier transportation of private vessel traffic and at the same time defined "private water vessel" to ensure that its authority would not be extended beyond the intrastate regulatory scope. A petition for rehearing of this matter has been granted, although the decision remains in effect pending outcome of future hearings.

REEXAMINING REGULATION OF HOUSEHOLD GOODS TRANSPORTATION

Public hearings on proposed changes in household goods regulations continued into the new fiscal year. Since a number of complex regulatory alternatives were advanced during the hearing process, the participants were given the opportunity to file closing briefs. The matter is now under submission and the Hearing Officer is expected to issue a Proposed Report early in fiscal year 1982–83. This will provide additional opportunity for interested parties to comment on the issues involved. The general public has more direct contact with this type of property transportation than any other for-hire carriage.

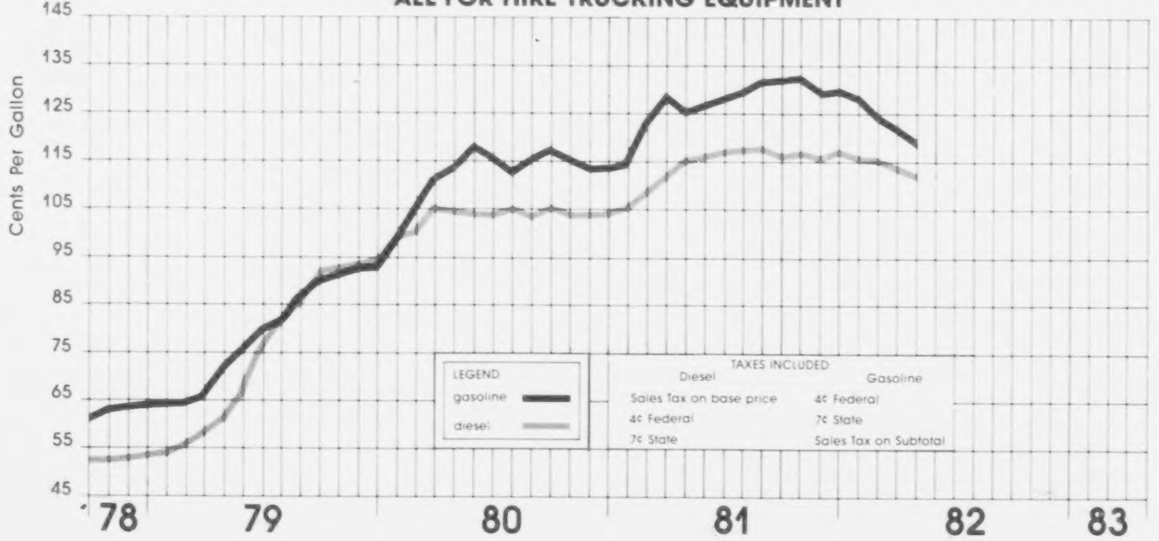
PROPERTY

COLLECTIVE RATEMAKING AND THE LAW

In 1977, the Commission initiated an inquiry into whether the public interest was served by approving rate making agreements as specified in Public Utilities Code Section 496. This code section establishes a procedure whereby rate bureaus may serve member carriers by providing them with an opportunity to develop mutual agreements on rate and fare levels for similar or joint services by participating carriers. Public hearings were held on this matter in 1978 and 1979. Because a federal court case was opened questioning the legality of state preemption of federal antitrust law for the purpose of intrastate regulation, and in view of recent changes in the state's transportation regulatory program, the hearings were temporarily discontinued.

The legality of conferring antitrust immunity to permit collective rate making remains unresolved. The 5th Circuit Court of Appeals has recently granted a petition for rehearing of its April decision which found that motor carriers could not meet to agree on intrastate rates except where the state "compels" them to act collectively. The rehearing temporarily stayed the decision which ruled nonmandatory state collective rate making unlawful. The staff has recommended that this matter, pending in Case 10368, continue to be held in abeyance until further legal disposition occurs at the federal level.

**WEIGHTED AVERAGE FUEL COST
ALL FOR HIRE TRUCKING EQUIPMENT**



INTERCORPORATE HAULING EXEMPTED

Following Interstate Commerce Commission action which modified its previous prohibition against intercorporate hauling by trucks without operating authority, the Commission found that the licensing requirements of the Public Utilities Code do not apply to compensated intercorporate transportation of property and also exempted such transportation from rate regulations, as specified in Decision 93472. Compensated transportation by motor carriers within corporate families of wholly owned subsidiaries was found to be proprietary transportation by this Order, and therefore outside the purview of the Commission. A petition for rehearing by two carrier associations was granted for the purpose of introducing additional evidence. Lacking further submittal by the protestants the matter is now considered submitted and pending a decision.

DUMP TRUCK REGULATORY PROGRAM STUDIED

The Commission is considering rate reregulation for dump truck carriers in several pending cases. Currently dump truck operations are subject to three existing minimum rate tariffs. The Transportation Division staff is conducting a study of the economic impact of various possible programs for regulatory change. The building and construction industry is most directly affected by policy affecting these carriers. The results of this study as well as testimony in the upcoming hearings will help the Commission determine future policy direction for dump truck regulation.

RECYCLABLE MATERIALS RATES EXEMPTED

As a response to its OII 85, the Commission issued Decision 82-06-091, exempting from economic regulation the transportation by motor carriers of scrap paper, scrap iron and steel, cullet, scrap aluminum, scrap plastic and scrap tires. The State Solid Waste Management Board worked with the Commission on this matter and agreed to provide the use of a toll free 800 telephone number to assist carriers and shippers to more readily communicate the locations of potential shipments and available transportation equipment to each other. More efficient transportation of these materials should result from these actions, particularly as they assist carriers to fill unproductive empty mileage.

Passenger Transportation

REGULATION OF SIGHTSEEING TOURS QUESTIONED

The Commission found that the operation of sightseeing tours over a loop does not constitute passenger stage transportation for regulatory purposes. In Decision 93726 signed November 13, 1981, the Commission decided that tours originating and terminating at the same point are not public utility common carriage transportation and therefore not subject to regulation. However, elimination of sightseeing bus regulation has been stayed pending disposition of the rehearing on this matter granted to consider additional evidence.

JITNEY SERVICE TO AUGMENT PUBLIC TRANSIT

The Commission received two applications requesting passenger stage authority to provide jitney-type service along a wide variety of routes in the greater Los Angeles area. The applications were protested by several cities and local public transit operators in the area as well as the union representing the transit operators' drivers. The major issue was whether private carriers should be authorized to provide service along the same routes where publicly subsidized transit systems operate.

The Commission approved these applications after hearings were held. Now private jitneys will be available to supplement subsidized public transit service.

DEVELOPING RAIL PASSENGER SERVICE

The California Department of Transportation (Caltrans) filed a complaint alleging inadequacy of service and requesting the Commission to order Southern Pacific to extend service from the San Francisco depot north to the Ferry Building on week days during morning and evening rush hours in the Peninsula Commuter Rail Service. Southern Pacific initially responded by filing an "answer and Motion to Dismiss" to the complaint including an explanation of why they refused Caltrans' request to inaugurate the Ferry Building service. However, in the summer of 1982 Caltrans and SP announced conceptual agreement on the extension of service.

L.A.-OXNARD COMMUTER TRAIN PROPOSAL PROGRESSES

On June 2, 1982 the Commission ordered Southern Pacific to begin construction of station platforms and parking facilities at ten locations along the proposed Oxnard-Los Angeles commute train line. The Commission's order for the institution of service was issued two years earlier upon the filing of a joint complaint by the California Department of Transportation and the County of Los Angeles requesting initiation of rail commute service in that corridor. SP requests for rehearing and motion to dismiss were considered and denied by the Commission. Upon further appeal, the State Supreme Court denied SP's request for review of the case in December 1981. SP subsequently filed suit in Federal Court asking for a permanent injunction against the project.

VESSEL EXCURSION CERTIFICATES NOT NEEDED

The Commission dismissed two applications for certificates for passenger vessels, stating that the described cruises did not constitute point-to-point transportation and therefore no common carrier certificate was required. The decision was based on the fact that although passengers would leave the vessels at various points for sightseeing during the trips the same passengers would reboard for return to the point of origin. Therefore the vessels did not need a common carrier certificate because their proposed operations were "loop" rather than "point-to-point" services.

NEW BUS SERVICES DEVELOPED

A large number of new bus services were being developed to replace recently lost airline service. Smaller and medium-sized communities which once had air service to San Francisco, Los Angeles and other points, were particularly hard hit by airline deregulation. Replacement bus services from these communities to the largest airports are being developed by private operators to fill this void in the transportation system.

To inform transportation industry professionals about the wide variety of new airport access services, a limited number of maps with descriptions of the various transportation services have been prepared and will be updated on a regular basis.

Rail Safety

TESTING RAILROAD SAFETY EFFICIENCY

As a result of continued concern with human error as a cause of railroad accidents, the staff has increased its activity in the area of rules compliance testing. In the interests of rail safety and transportation efficiency, strict compliance with the provisions of these rules need to be observed. Within the last year, the PUC staff has accompanied railroad representatives during 315 separate tests as well as participating in rules and safety discussions with the operating crews.

REGULATING HAZARDOUS MATERIAL SHIPPED BY RAIL

Thousands of rail shipments of hazardous materials are transported through California yearly. Although the Federal Railroad Administration is primarily responsible for insuring the safe movement of hazardous materials by rail, the PUC staff is evaluating the need to further regulate the shipment of these commodities within California based on a federal statute that provides that states may adopt or continue to enforce additional or more stringent laws, rules, or regulations relating to railroad safety when necessary to eliminate or reduce local safety hazards.

FEDERAL/STATE REGULATORS COOPERATE ON SAFETY

The Commission is carrying out California's agreement with the Federal Railroad Administration to participate in the enforcement, investigation and surveillance of federal railroad safety standards established by the Federal Railroad Act of 1970. This Act provides 50% federal funding for the state's costs involved in this program.

The Federal Safety Standards require railroads to maintain a record of all track and equipment inspections they make as well as to take remedial action on defects noted. The Safety Unit staff routinely reviewed almost 3000 of these records in the last fiscal year to assess the rail carrier's efforts to assure safe conditions. When needed, staff recommends changes to eliminate unsafe practices. Freight car equipment inspections have already produced significant responses from the railroads in an effort to correct reported defects.

Rapid Transit Safety

BART SYSTEM IMPROVEMENTS

The staff continues to work closely with Bay Area Rapid Transit management toward meeting the provisions of Commission Decision 90144, which concerns safety procedures adopted in response to the Transbay Tube fire in 1979. Many of the directed procedural changes, such as the installation of improved communications and the fire-hardening of the transit vehicles, are nearing full implementation or completion. The staff is also reviewing several new projects under construction. They are the express track through Oakland's city center, the Central Control facility, and the development of rolling stock design criteria designated as the "C" car. These projects assist the transit system's efforts to stay abreast of the ever advancing state-of-the-art technology.

SAN DIEGO TROLLEY HAS SUCCESSFUL YEAR

The San Diego Trolley has operated its first year without a single serious passenger injury. The Commission staff worked with the staff of the San Diego Metropolitan Transit Development Board (MTDB) during the design and construction phases of this modern light rail transit system and continues its involvement to assure the safety of the San Diego Trolley double tracking and project expansion east to El Cajon and north to San Diego International Airport and Point Loma.

NEW TRANSIT PROJECTS FOR THE STATE UNDERWAY

At the beginning of the fiscal year, two light rail projects in the Sacramento and San Jose areas have progressed into the preliminary engineering phase.

The first is being developed by the Sacramento Transit Development Agency and consists of a two-line system serving the Central Sacramento Business District. In the San Jose Area the Santa Clara County Transportation Agency also is developing a two-line system. The main line would run north and south via the Central Business District of San Jose through the Guadalupe Corridor. A branch line would run into the Almaden area.

Three other rail transit projects are taking form in the Los Angeles area. The Southern California Rapid Transit District is in the preliminary engineering phase of an 18 mile automated heavy rail rapid transit system which will ultimately provide the backbone of a much larger system.

A second project is a proposed light rail line from Los Angeles to Long Beach.

The third rail transit system under development in Southern California is being planned by the Orange County Transit District to incorporate both heavy and light rail.

Passengers board San Jose—San Francisco commuter train at San Mateo Southern Pacific Depot. Popular commute run is subsidized by the California Department of Transportation and local public transit agencies. The successful alternative transit program began in mid-1980.

TRANSPORTATION REGULATION CONTINUES TO EVOLVE

Because the regulatory environment is changing, the Commission must evaluate and develop proposals which respond to the public's evolving needs and at the same time meet the state's ongoing responsibility to enforce safety and economic regulations.

Safety activities are directed toward assuring the public that appropriate safety procedures are used by private railroads and rail rapid transit systems operating within the state and ensuring that planning for new services adequately considers safety factors. The transportation staff also helps other state agencies which are charged with safety oversight of private motor carriers offering service to the public.

Major changes in trucking regulation have been evolving over the last several years as a result of directives coming from the Legislature and the Commission. This reregulatory program places a growing reliance on competitive market-set rates to improve the operational and financial efficiency of the motor carrier industry and expand the range of transportation service options for the public.

Program refinements continue to move the Commission toward a more limited regulatory role in transportation rate setting, but as a precautionary measure, a comprehensive monitoring program of market conditions is being established which can alert the Commission to any undesirable impacts on carriers, shippers and the public which might develop during this transition period.

In recent years Congress has considered or taken action to preempt state economic regulation of certain elements of intrastate air and rail transportation. In late 1981, a joint report of the Interstate Commerce Commission and the Department of Transportation proposed to Congress that preemption of intrastate trucking be considered as one of several alternatives for improving interstate trucking. Congress has been requested not to consider federal preemption for California because the size and importance of its intrastate trucking industry makes it unique.

ORGANIZATIONAL

EXECUTIVE DIRECTOR

Section 308 of the Public Utilities Code provides that "the commission shall appoint an executive director, who shall hold office during its pleasure. The executive director shall be responsible for the commission's executive and administrative duties and shall organize, coordinate, supervise, and direct the operations and affairs of the commission and expedite all matters within the commission's jurisdiction."

He assists the Commission president and coordinates the operations of the Commission to relieve the commission members of administrative detail, requiring the division heads and other employees to report to him concerning their duties and job performance. Excepted from this is the relationship of attorney and client which exists between the General Counsel and the members of the Commission.

The executive director prepares and presents the Commission's budget to the fiscal officers of the State and to the Legislature. He is further responsible for handling all budgetary and procurement matters relating to personnel, services and materials.

Necessary action is taken by the executive director to require that the duties, responsibilities and assignments of various divisions are accomplished effectively and efficiently. He issues directives to Commission employees to achieve those objectives.

The executive director is also required to keep a full and true record of all proceedings of the Commission, issue all necessary process, writs, warrants and notices, and perform such other duties as the Commission prescribes. The Commission may authorize the executive director to dismiss complaints or applications when all parties are in agreement thereto, in accordance with such rules as it may prescribe.

He also administers oaths, certifies to official acts and issues subpoenas for the attendance of witnesses and produces records needed at Commission hearings and investigations.

LEGAL DIVISION

Section 307 of the Public Utilities Code provides that the General Counsel shall represent the Commission and the People of the State of California in all proceedings involving any question under the Public Utilities Act or involving any order or act of the Commission. Attorneys from the Appellate and Advisory Section review petitions for rehearing of Commission decisions and defend the Commission in the California and U.S. Supreme Courts. Attorneys assigned to the federal Section represent the Commission in federal agency proceedings and defend the Commission in the federal courts. The Legal Division also provides legal advice and representation to the staff. Attorneys from the Staff Counsel Section represent the staff in Commission proceedings.

UTILITIES DIVISION

The Utilities Division staff consists of professional, technical and clerical personnel and provides support for many of the Commission's responsibilities including regulating the investor-owned electric, gas, water, sewer and steam heat utilities in the State. The division provides the Commission with staff work on utility rates, fuel and power costs, service, project certifications, resource plans, environmental assessments, conservation, safety and tariffs. The staff provides reports, briefings and participates as parties in formal proceedings, checks on utility compliance with Commission general orders and decisions, and conducts investigations and analyses of energy and water utility policy issues.

In early 1982, the Division was reorganized into six program branches. The basic reason for the reorganization was to group closely related programs, projects and casework under the same branches. The reorganization changes the division staff from an organization oriented to the type of utility regulated (Electric Branch for electric utilities), to a program orientation (Rate Design and Economics Branch for gas and electric rates).

The program orientation strengthens the staff's ability to handle rates and fuel cost issues. The utility fuels cost assessments were strengthened by the creation of a new Fuels and Operations Branch, which pays close attention to the billions of dollars of gas and electric utility fuel costs. This Branch brings together all staff experienced in gas and electric utility fuel procurement and op-

FUNCTIONS

erations. Similarly, the Resources and Planning and Projects Branch brings together staff involved in energy utility resource planning and assessments of projects such as transmission lines and small power producers.

COMMUNICATIONS DIVISION

It is the responsibility of the Communications Division to administer legislative statutes and Commission orders pertaining to investor-owned telephone, telegraph, and radio telephone utilities which provide service within the State of California.

The primary objective of the Communications Division is to assure that the ratepayers of California are receiving the best possible service at the most reasonable cost.

POLICY AND PLANNING DIVISION

The Policy and Planning Division looks beyond the Commission's daily responsibilities to analyze emerging policy issues and the changes in regulatory environment resulting from new economic, financial, institutional and technological trends and how these affect the Commission's role and procedures.

REVENUE REQUIREMENTS DIVISION

The Revenue Requirements Division is responsible for the regulation of major utility rates and financing, and advises the Commission on auditing, accounting, engineering and economic matters. The division's professional staff is multi-disciplined, consisting of CPA-accountants, economists and professional Engineers.

TRANSPORTATION DIVISION

The Commission regulates motor carriers of freight, privately-owned passenger buses, railroads, and vessels. It is also charged with overseeing the safety of railroad operations and grade crossings and of certain public rail transit systems. The Transportation Division provides the Commission with staff support for its regulation of transportation rates and services.

It is the responsibility of the Transportation Division staff to ensure that rates fixed by the Commission are just and reasonable and that the service which the public receives from regulated carriers is adequate. The Division must also make sure that carriers adhere to the rates, rules, and regulations which govern transportation in California. As part of its administrative duties, the Division issues licenses to operate and collect statutory fees.

MANAGEMENT SERVICES DIVISION

The Management Services Division supports the Commission as a whole providing services essential for its daily operations. Additionally, it carries out a number of statutory functions required by the Public Utilities Code. Among the most important programs ordered by the Division are those concerned with Administrtive Services, Data Processing, Personnel, Employee Training and Development, Fiscal Operations, and Budget Planning and Hearing Reporting Services.

OFFICE OF PUBLIC AFFAIRS

The Office of Public Affairs was assembled as a separate division in the fall of 1979, to coordinate and improve two-way communications between the Commission and the general public.

The Information Office communicates through the media and by means of a variety of special publications. The Consumer Liaison Office helps organized consumer groups participate more effectively in both formal and informal Commission proceedings. The Consumer Affairs Branch handles complaints and inquiries from individual utility customers.

CONSUMER AFFAIRS SUMMARY REPORT - 1981/82

UTILTIES	SAN FRANCISCO	LOS ANGELES	TOTAL	CENTREX-TRANSFER	
Total Cases Filed	32,695	31,026	63,721	PG&E	2,779
				PT&T (NO.)	7,202
Cases Closed	31,132	29,421	60,553	PT&T (SO.)	6,364
				Gen'l Tel	3,030
Cases Still Open	1,563	1,605	3,168	Edison	2,069
				So. Cal Gas	959
Money Refunded	$254,857.76	$422,653.65	$677,511.41		22,403
				CAB Filed	63,721
				Total	86,124

CASE DETAIL	FILED			CLOSED			STILL OPEN			REFUND	
	S.F.	L.A.	TOTAL	S.F.	L.A.	TOTAL	S.F.	L.A.	TOTAL	S.F.	L.A.
Communications	9,394	15,134	24,528	8,980	14,390	23,370	414	744	1,158	$97,199	$309,535
Electric	19,295	9,841	29,136	18,476	9,391	27,867	819	450	1,269	69,813	79,113
Gas	2,231	4,930	7,161	1,977	4,573	6,550	254	357	611	84,620	23,084
Water	719	708	1,427	667	659	1,326	52	49	101	3,013	8,298
Other	1,056	413	1,469	1,032	408	1,440	24	5	29	213	2,624
TOTALS	32,695	31,026	63,721	31,132	29,421	60,553	1,563	1,605	3,168	$254,858	$422,654

DIVISION OF ADMINISTRATIVE LAW JUDGES

The Division of Administrative Law Judges assists the five Commissioners in discharging the quasi-Judicial/Legislative functions conferred upon the Commission by the California Constitution and Statutes. In essence, it is a support division that assists the Commission with its hearing process and analysis of evidence and recommendation presented in formal proceedings.

With rising utility rates and increased concern about energy options, work of the ALJ Division has intensified; there is more and more participation in Commission proceedings. The challenge and complexity of analyzing and balancing competing interests has increased. The following breakdown is a summary of Commission activity by days of hearing and number of decisions in formal proceedings.

ANNUAL HEARING/DECISION ACTIVITY REPORT
FISCAL YEAR 1981-82

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div.	Branch.	Ex. Session	Total
WATER AND SEWER UTILITIES								
Complaints	4	4	5	13	24	-	3	27
Rate Matters	9	20	11	40	34	-	2	36
Certification/ Transfers	2	1	4	7	22	-	-	22
Miscellaneous	-	2	2	4	29	7	2	38
Commission Investigations	2	3	1	6	13	-	1	14
Finding of Just Compensation—Condemnation	3	-	-	3	1	-	-	1
	20	30	23	73	123	7	8	138
ELECTRIC UTILITIES								
Rate Matters (General Rate Cases)	47	21	8	76	3	-	-	3
ECAC—(Energy Cost Offset)	40	7	13	60	14	1	3	18
Certification								
Power Plants	8	-	-	8	2	1	-	3
Transmission Line Siting	12	1	20	33	4	1	2	7
Rules	1	-	1	2	4	1	1	6
Complaints	3	-	-	3	4	-	-	4
Electric Safety/ Line Extension	-	-	2	2	-	1	-	1
Miscellaneous	6	-	3	9	35	7	3	45
	117	29	47	193	66	12	9	87
GAS UTILITIES								
Rate Matters (General Rate Cases)	20	27	1	48	3	1	2	6
Gas Cost Offset—(Offset Matters)	20	20	-	40	6	-	2	8
LNG Siting	2	3	-	5	-	-	-	-
Complaints	2	3	-	5	3	-	1	4
Miscellaneous	1	-	-	1	9	3	2	14
	45	53	1	99	21	4	7	32
MULTI UTILITIES								
Gas and Electric (Rates)	38	10	18	66	6	-	5	11
Complaints	7	1	4	12	15	-	1	16
Commission Investigations	41	3	-	44	10	-	2	12
Miscellaneous	9	-	-	9	20	10	2	32
	95	14	22	131	51	10	10	71
TELEPHONE UTILITIES/ COMMUNICATIONS								
Rate Matters (General Rates)	30	27	4	61	8	-	6	14
Commission Investigations	61	17	2	80	8	-	-	8
Terminal Equipment—PBX Sales-Pricing	1	-	-	1	1	-	-	1
Radio Telephone Utility (RTU) Certification	8	3	-	11	10	1	3	14
Complaints	26	15	4	45	43	1	10	54
Miscellaneous	6	-	-	6	16	7	6	29
	132	62	10	204	86	9	25	120

FINANCING/TRANSFER OF UTILITIES OR CONTROL								
Combined Gas and Electric Utilities	4	-	-	4	5	24	-	29
Gas (Only)	-	-	-	-	1	4	-	5
Electric (Only)	2	-	-	2	5	10	1	16
Telephone	-	-	-	-	3	11	2	16
RTU	-	-	-	-	2	-	-	2
Water/Sewer	-	-	-	-	7	17	1	25
	6	-	-	6	23	66	4	93
ALTERNATIVE ENERGY—CONSERVATION								
Zero Interest Financing								
Gas	15	7	3	25	-	-	1	1
Electric	2	5	2	9	1	-	-	1
Residential Conservation Service (RCS)								
Gas/Electric	9	4	-	13	2	-	2	4
Solar Financing—Demonstration								
Gas/Electric	2	-	-	2	3	4	1	8
Solar Related Matters								
Gas/Electric	-	2	-	2	2	3	3	8
Utility Resource Plans (Electric Only)	1	-	1	2	2	-	-	2
Cogeneration—Small Power Production (Electric Only)	2	1	-	3	-	-	3	3
Individual Applications	11	-	-	11	1	1	-	2
	42	19	6	67	11	8	10	29
TOTAL UTILITY	457	207	109	773	381	116	73	570

HIGHWAY CARRIER RATES								
Rate Increase Applications and/or Minimum Rate Case Petitions for Modification	10	3	-	13	11	89	2	102
Applications for Deviations from Minimum Rates	3	-	-	3	14	37	2	53
Commission OIIs or OIRs into Generic Rate Matters and/or Policy	16	5	2	23	19	7	4	30
I&S Complaints about Rate Levels	5	-	-	5	12	1	-	13
Complaints (Other than Rate Levels)	8	-	-	8	4	-	1	5
Miscellaneous	-	1	2	3	16	14	-	30
	42	9	4	55	76	148	9	233
HIGHWAY CARRIER CERTIFICATION AND TRANSFER OF OPERATING AUTHORITY								
Common Carriers (Certificates)	-	-	-	-	64	77	1	142
Permitted/Specialized Carriers (e.g. Dump Truck)	2	-	-	2	35	17	-	52
	2	-	-	2	99	94	1	194
HIGHWAY CARRIER FINANCING ACQUISITION OF CONTROL								
Issue Stock, Bonds, or Acquire Stock Control of Entity	-	-	-	-	9	16	-	25
	-	-	-	-	9	16	-	25

SURFACE PASSENGER MATTERS								
Certification & Transfer of Operating Authority								
Passenger Stage	24	31	-	55	71	60	10	141
Charter-Party	7	11	-	18	61	6	4	71
Vessel	-	9	-	9	5	-	1	6
Rates								
Passenger Stage	1	-	-	1	2	41	-	43
Charter-Party	-	-	-	-	-	2	-	2
Complaints								
Passenger Stage	6	5	-	11	10	-	2	12
Charter-Party	-	1	-	1	1	-	-	1
Vessel	14	-	-	14	2	-	1	3
Rail	-	-	-	-	5	-	1	6
OIIs-OIRS								
Bus	3	-	-	3	1	-	2	3
Rail	1	-	-	1	1	-	1	2
Safety—Compliance/ Safety Rules								
Rail	-	-	-	-	1	1	-	2
	56	57	-	113	160	110	22	292
RAIL CROSSINGS								
Applications	5	2	-	7	6	53	-	59
OIIs-OIRs	2	1	-	3	2	-	-	2
Complaints	-	-	-	-	1	-	1	2
	7	3	-	10	9	53	1	63
MISCELLANEOUS								
Pipeline	-	4	-	4	3	1	-	4
Surface Passenger Matters	8	3	-	11	21	19	1	41
	8	7	-	15	24	20	1	45
TOTAL TRANSPORTATION	115	76	4	195	377	441	34	852

ANNUAL SUMMARY FISCAL YEAR 1981-82

	Hearing Days				CPUC Decisions			
	SF	LA	Other	Total	ALJ Div.	Branch.	Ex. Session	Total
TOTAL UTILITY	457	207	109	773	381	116	73	570
TOTAL TRANSPORTATION	115	76	4	195	377	441	34	852
GRAND TOTAL	572	283	113	968	758	557	107	1,422

Of the 1,422 decisions, 123 decisions were issued by Executive Director order and 107 transportation decisions closed by Resolutions.

ALJ HEARINGS FISCAL YEAR 1981-82

Alderson	2
Baer	26
Banks	30
Boneysteele	7
Carlos	13
Colgan	21
Daly	8
Doran	17
Fraser	18
Gilman	12
Haley	63
Henderson	42
Jarvis	29
Johnson	50
Lemke	30
Levander	20
Macario	8
Main	12
Mallory	46
Meaney	25
Mooney	19
Myers	43
O'Leary	33
Patrick	85
Piiling	23
Porter	70
Power	17
Squeri	87
Tomita	30
Turkish	33
Weiss	6
Wright	9
Wu	34
TOTAL	986

STATISTICAL SECTION Utilities

STATISTICAL SECTION
UTILITIES

RATE REVISIONS
JULY 1, 1981 TO JUNE 30, 1982

Type of Utility	Rate Revision
Increases	
Gas	2,273,111,794
Steam	79,600
Electric	2,758,751,208
Communications	802,700,000
Water	12,417,670
Total	5,847,060,272
Reductions	
Gas	3,125,000
Steam	206,000
Electric	1,581,696,000
Communications	—
Water	—
Total	1,585,027,000
Net Change	
Gas	2,269,986,794
Steam	(126,400)
Electric	1,177,055,208
Communications	802,700,000
Water	12,417,370
Total	4,262,033,272

( ) = Reduction

FORMAL RATE PROCEEDINGS
DECISIONS EFFECTIVE JULY 1, 1981 TO JUNE 30, 1982
NATURAL GAS PROCEEDINGS

Applications No.	Utility	Rate Increases ($)		
		Requested	Authorized	Percent
OII-77	Pacific Gas & Electric	(16,000)	(16,000)	100%*
59316	Southern California Gas	178,009,000	45,691,000	26 *
59550	C. P. National	493,921	424,546	86 *+
59551	C. P. National	2,314,368	2,012,710	87 *+
59750	Pacific Gas & Electric	(3,109,000)	(3,109,000)	100 **
59788	San Diego Gas & Electric	72,008,000	21,600,000	30 *
59869	Southern California Gas	9,054,000	7,888,600	87 *
60056	Pacific Gas & Electric	19,140,000	3,160,000	17 *
60153	Pacific Gas & Electric	316,244,000	165,244,000	52 *
60263	Southwest Gas Company	3,685,000	3,685,000	100 +
60364	San Diego Gas & Electric	3,080,000	3,080,000	100 +
	Southern California Gas	1,301,000	1,301,000	100 *
60700	Pacific Gas & Electric	21,880,000	14,320,000	65 +
60701	Pacific Gas & Electric	14,448,000	9,840,000	68 +
60714	Southwest Gas Corporation	88,438	88,438	100 *
60743	Southwest Gas Corporation	506,000	506,000	100 *
60781	Southern California Edison	274,100	274,100	100 +
60863	Pacific Gas & Electric	54,486,000	37,297,000	68 +
60867	Southern California Gas	790,459,000	572,416,000	100 +
60901	San Diego Gas & Electric	56,700,000	30,500,000	+
61046	San Diego Gas & Electric	1,350,000	1,350,000	100 +
82-02-010	Pacific Gas & Electric	642,705,000	451,861,000	70 +
82-03-16	Southern California Gas	1,289,000,000	834,300,000	+
82-03-038	San Diego Gas & Electric	94,300,000	66,272,400	100 +
	TOTAL	3,568,400,827	2,269,986,794	64

STEAM PROCEEDINGS

52802	San Diego Gas & Electric	(41,000)	(41,000)	100 +
54025	Pacific Gas & Electric	(165,000)	(165,000)	100 *
59788	San Diego Gas & Electric	79,600	79,600	100 +
	TOTAL	(126,400). '	(126,400)	100

(Reduction)
*General Rate Increase
+Offset Proceeding
**GEDA (Gas Exploration and Development Adjustment)

COMMUNICATIONS PROCEEDING

Application No.	Utility	Rate Increase Requested	Authorized	Percent
59849	Pacific Telephone	790,000	610,100 a/	77.2
60340	General Telephone	296,000	192,600 a/	65.1
	TOTAL	1,086,600	802,700	73.9

a/ General rate case

WATER PROCEEDINGS

Application No.	Utility	Rate Increase Requested	Authorized	Percent
60092	California-American Water Co.	$ 904,700	$ 599,300 a/	66.2
60132	Citizen Utilities of California	1,525,800	1,230,400 a/	80.6
60220	Citizen Utilities of California	467,700	459,200 a/	98.2
60291	So Cal Water Co.	1,889,500	1,058,900 a/	56.0
60295	Suburban Water Co.	1,056,400	806,500 a/	76.3
60498	Park Water Co.	656,400	563,200 a/	85.8
60567	California Water Service Co.	1,404,500	980,500 a/	69.8
60568	California Water Service Co.	1,163,700	996,000 a/	85.6
60569	California Water Service Co.	469,400	413,000 a/	88.0
60570	California Water Service Co.	834,300	702,800 a/	84.2
60735	So Cal Water Co.	1,139,500	926,500 a/	81.3
60736	So Cal Water Co.	722,300	359,900 a/	49.8
60737	So Cal Water Co.	710,000	508,400 a/	71.6
W-2926	California Water Service Co.	197,000	162,600 a/	82.5
W-2927	California Water Service Co.	251,500	216,500 a/	86.1
60798	So Cal Water Co.	494,900	304,700 a/	61.6
60799	So Cal Water Co.	704,800	666,000 a/	94.5
W-2964	So Cal Water Co.	119,700	119,400 a/	99.7
	TOTAL	14,712,100	11,073,800	75.3

a/ General rate case, three-year step increase.

Application No.	Utility	Rate Increase Requested	Authorized	Percent
60219	Temescal Water Co.	$752,520	$332,400	44.2%
61148	Hillview Water Co.	155,760	36,060	23.2
60048	Jackson Water Works	397,200	225,810	56.9
60328	Larkfield Water Co.	255,700	164,600	64.4
61049	Tahoe Swiss Vil. Util.	7,470	5,450	73.0
60285	Citizens (Felton)	234,600	156,000	66.5
60253	Citizens (Montara)	419,900	388,900	92.6
61150	Dunsmuir Water Corp.	57,370	34,650	60.4
	TOTAL	$2,280,520	$1,343,870	58.9%
	Total Large Water Companies	$14,712,100	$11,073,800	75.3
	Total Small Water Companies	2,280,520	1,343,870	58.9
	GRAND TOTAL (WATER)	$16,992,620	$12,417,670	73.1

FORMAL RATE PROCEEDINGS
HYDRAULIC BRANCH 1981-82 FISCAL YEAR

Application No.	Decision No.	Date	Utility	Rate Inc. Requested	Authorized	Percent
60219	93672	11-3-81	Temescal Water Co.	$752,520	$332,400	44.2%
61148	82-01-105	1-21-82	Hillview Water Co.	155,760	36,060	23.2
60048	82-04-017	4-6-82	Jackson Water Works	397,200	225,810	56.9
60328	82-04-009	4-6-82	Larkfield Water Co.	255,700	164,600	64.4
61049	82-04-083	4-21-82	Tahoe Swiss Vil. Util.	7,470	5,450	73.0
60285	82-05-038	5-4-82	Citizens (Felton)	234,600	156,000	66.5
60253	82-05-076	5-18-82	Citizens (Montara)	419,900	388,900	92.6
61150	82-06-018	6-2-82	Dunsmuir Water Corp.	57,370	34,650	60.4
TOTAL				$2,280,520	$1,343,870	58.9%

TOTAL RATE PROCEEDINGS
HYDRAULIC BRANCH 1981-82 FISCAL YEAR

Type of Proceedings	No. of Proceedings	Increase Total Annual Revenues
Water		
General Rate Increases (Formal Decisions)	8	$1,343,870
General Rate Increases (Advice Letters)	23	268,920
Offset Rate Increases (Advice Letters)	38	339,779
TOTAL	69	$1,952,569
Sewer		
General Rate Increases (Formal Decisions)	-	-
General Rate Increases (Advice Letters)	1	$2,600
Offset Rate Increases (Advice Letters)	-	-
TOTAL	1	$2,600

FORMAL RATE PROCEEDINGS
DECISIONS EFFECTIVE JULY 1, 1981 TO JUNE 30, 1982
ELECTRIC PROCEEDINGS

Application No.	Utility	Rate Increases ($) Requested	Rate Increases ($) Authorized	Percent
OII-77	Pacific Gas & Electric	(7,410,000)	(7,410,000)	100*
59351	Southern California Edison	91,927,000	91,927,000	100*
59548	C. P. National	764,500	258,547	34*
59549	C. P. National	290,300	48,825	17*
59552	C. P. National	81,500	28,189	35*
59788	San Diego Gas & Electric	198,001,400	144,613,400	73*
59863	Southern California Edison	4,670,000	4,670,000	100*
59894	Sierra Pacific Power	5,642,000	3,289,000	58*
60056	Pacific Gas & Electric	(986,000)	(986,000)	100*
60153	Pacific Gas & Electric	1,138,354,000	631,070,000	55*
60246	Sierra Pacific Power	5,233,000	3,331,247	64+
60321	Southern California Edison	98,400,000	83,400,000	85+
60560	Pacific Power & Light	10,347,000	7,175,000	69*
60610	Pacific Gas & Electric	977,232,000	977,232,000	100+
60700	Pacific Gas & Electric	3,172,000	2,160,000	68*
60701	Pacific Gas & Electric	7,111,500	5,848,000	82*
60713	Southern California Edison	234,000,000	234,000,000	100+
60860	Sierra Pacific Power	(4,146,000)	(4,146,000)	100+
60865	San Diego Gas & Electric	65,000,000	24,200,000	37+
60961	Pacific Gas & Electric	477,114,000	0	0+
61027	Southern California Edison	545,500,000	545,500,000	100+
82-02-09	Pacific Gas & Electric	(857,931,000)	(849,754,000)	99+
82-04-119	Southern California Edison	(719,400,000)	(719,400,000)	100+
		2,272,967,200	1,177,055,208	52
	Pass Through Increases	821,002,000	294,363,247	36
	General Rate Increases	1,451,965,200	882,691,961	61

*General Rate Increase

+Offset Proceeding

TYPICAL GAS, ELECTRIC AND TELEPHONE BILLS
25 LARGEST CITIES IN THE UNITED STATES
AS OF JUNE 30, 1982

City	Population 1980 Census	Gas ++ 70 Therms	Electric 500 kWh	Telephone** Flat Rate	Total Bill
Memphis	646,356	$27.19	$23.22*	$11.05	$61.46
Seattle	493,846	52.03	6.76*	9.00	67.79
Indianapolis	700,807	29.97	29.14	11.63	70.74
Dallas	904,078	23.23	41.81	9.40	74.44
San Francisco	678,974	34.81	34.28	7.00	76.09
Los Angeles	2,966,763	38.48	32.68*	7.00	78.16
St. Louis	453,085	40.55	30.42	8.85	79.82
San Antonio	785,410	36.16	36.84*	8.90	81.90
New Orleans	557,482	37.36	33.37	13.40	84.13
San Jose	625,763	43.84+	34.28	7.00	85.12
Columbus	654,871	38.19	36.04	11.05	85.28
Detroit	1,203,339	38.76	36.43	10.20	85.39
Chicago	3,005,072	35.85	43.87	6.50	86.22
Washington, D.C.	637,651	44.48	34.47	8.18	87.13
Houston	1,594,086	39.94	37.85	9.90	87.69
Cleveland	573,822	32.14	46.52	12.45	91.11
Jacksonville	540,898	42.19	38.36*	11.05	91.60
Baltimore	786,775	42.67	37.87	11.25	91.79
Denver	491,396	48.99	35.27	8.15	92.41
Phoenix	764,911	37.60	46.23	8.97	92.80
Milwaukee	636,212	43.49	38.95	11.95	94.39
Philadelphia	1,688,210	46.28	48.16	7.50	101.91
San Diego	875,504	42.71	57.83	6.70	107.24
Boston	562,994	55.76	51.33	10.80	117.89
New York	7,071,030	57.42	80.35	6.36	144.13

* Public power utility
**Additional instrument charge is made in certain cities, if applicable.

Message rate service
+Reflects different lifeline allowance from San Francisco
All figures include minimum customer charges, base rates, fuel/energy charges.
Taxes included in gas bill.

RATE CASE PROCESSING PLAN
1980-1981

MAJOR ENERGY UTILITIES	STATUS	DAYS PLAN	DAYS ACTUAL
1. Sierra Pacific Power Company			
A-59894	NOI-24 filed: 6/13/80	-60	-67[1]
	Submitted: 2/2/81	200	166
	Brief due: 4/6/81	245	229
	Interim Dec.: 5/5/81	-	258
2. San Diego Gas & Electric Co.			
	NOI-21A filed: 10/22/80	-60	
A-59788 (Amended)	App. filed: 12/22/80	1	1
	Prehrg. Conf.: 4/27/81	75	127[2]
	Hearings Comm.: 4/27/81	80	127[2]
3. Pacific Gas and Electric Co.			
A-60153	NOI-33 filed: 10/24/80	-60	-60
	App. filed: 12/23/80	1	1
	Prehrg. Conf.: 1/5/81	8	14
	Prehrg. Conf.: 3/13/81	75	81
	Public Witness Hearings Held: 3/3-3/10/81	71-78	71-78
	Hearings Comm.: 3/17/81	80	86
	Expected Completion: 7/24/81	200	212
4. Southwest Gas Corporation			
A-60714	NOI-48 filed: 4/29/81	-60	-60
	App. filed: 7/16/81	1	7

[1] Adjusted to reflect utility's late filing of application.
[2] Due to back-to-back test years, interim decision delayed hearings to allow staff to include 1980 recorded data in its analysis.

MAJOR GAS & ELECTRIC UTILITIES
APPLICATIONS FILED FOR OFFSETS & GENERAL RATE INCREASES
FISCAL YEAR 1981-82

Company	Type of Proceeding	Application Number	Date Filed	Amount Requested
				(M$)
Pacific Gas & Electric Company	GAC	60863	9/4/81	54,486
	ECAC	82-02-09	2/2/82	(327,000)
	GAC	82-02-010	2/2/82	642,205
	ECAC/AER	82-06-08	6/2/82	(158,000)
TOTAL				211,691
San Diego Gas & Electric Company	ECAC/AER	60865	11/6/81	0
	CAM	60901	9/15/81	30,500
	CAM	82-03-38	3/1/82	75,000
TOTAL				105,500
Southern California Edison Company	ECAC	60713	7/3/81	240,316
	ECAC	61027	10/30/81	545,500
	ECAC/AER	82-03-04	3/1/82	(254,000)
	General	61138	12/24/81	1,416,700
TOTAL				1,948,516
Southern California Gas Company	CAM	60867	9/4/81	790,459
	CAM	82-03-16	3/1/82	1,294,513
	General	61081	10/1/81	504,800
TOTAL				2,589,772
GRAND TOTAL				4,855,479

(Red Figure)

OPERATING REVENUE OF LARGE UTILITIES IN CALIFORNIA
YEARS 1972 THROUGH 1981

Year End	Gas*	Steam	Electric	Water	Telephone	Ann. Total	Incr.
			(Dollars in Thousands)				
1972	$1,262,144	$1,730	$1,859,381	$115,033	$2,943,864	$6,182,152	9%
1973	1,320,123	1,982	2,113,306	118,627	3,288,807	6,842,845	11
1974	1,473,583	1,837	2,690,982	123,659	3,603,159	7,893,220	15
1975	2,023,325	2,747	3,069,852	135,638	3,989,035	9,220,597	17
1976	2,215,931	3,342	3,549,868	156,292	4,440,786	10,366,219	12
1977	2,596,509	3,327	4,437,762	151,587	4,957,906	12,147,091	17
1978	2,806,942	3,834	4,943,436	161,986	5,549,300	13,465,498	11
1979	3,796,111	3,786	5,038,932	178,173	6,136,413	15,153,415	13
1980	5,024,015	4,315	7,199,207	199,744	7,088,938	19,516,219	29
1981	6,994,431	5,214	8,936,017	220,281	8,338,217	24,494,160	26
Annually Compounded Growth Rate 1972-1981	18.7%	11.7%	17.0%	6.7%	11.0%	14.8%	—

*Revenue less interdepartmental sales

UTILITY PLANT OF LARGE UTILITIES IN CALIFORNIA
YEARS 1972 THROUGH 1981

Year End	Gas	Steam	Electric	Water	Telephone	Total	Ann. Incr.
			(Dollars in Thousands)				
1972	$2,585,758	$6,894	$8,704,580	$603,366	$9,051,245	$20,951,843	7%
1973	2,724,386	7,303	9,222,695	619,480	9,879,537	22,453,401	7
1974	2,873,115	7,073	9,787,542	649,666	10,661,324	23,978,720	7
1975	3,048,225	7,209	10,308,529	675,697	11,570,071	25,609,731	7
1976	3,243,001	9,989	10,839,445	689,946	12,484,380	27,266,761	6
1977	3,402,538	10,385	11,462,374	726,664	13,697,698	29,299,659	7
1978	3,571,350	10,485	12,235,252	789,126	15,221,648	31,827,861	9
1979	3,764,462	10,625	12,895,178	810,625	17,200,592	34,681,482	9
1980	4,001,702	10,828	13,741,226	866,479	19,225,345	37,845,580	9
1981	4,039,340	10,284	14,303,977	863,836	20,374,393	39,591,830	5
Annually Compounded Growth Rate							
1972-1981	4.6%	4.1%	5.1%	3.7%	8.5%	6.6%	—

CUSTOMERS OF LARGE UTILITIES IN CALIFORNIA
YEARS 1972 THROUGH 1981

Year End	Gas	Steam	Electric	Water	Telephone*	Total	Ann. Incr.
			(Customers in Thousands)				
1972	6,010	0.4	5,853	1,036	8,040	20,940	3%
1973	6,133	0.4	6,078	1,052	8,361	21,625	3
1974	6,258	0.4	6,252	1,068	8,607	22,186	3
1975	6,417	0.4	6,404	1,099	8,897	22,818	3
1976	6,556	0.3	6,577	1,124	9,212	23,470	3
1977	6,722	0.3	6,795	1,106	9,671	24,295	4
1978	6,894	0.3	7,007	1,124	10,022	25,047	3
1979	7,067	0.3	7,233	1,138	10,461	25,899	3
1980	7,203	0.3	7,420	1,150	10,785	26,558	3
1981	7,328	0.3	7,546	1,100	10,910	26,884	1
Annually Compounded Growth Rate							
1972-1981	2.0%	(2.8%).	2.6%	0.6%	3.1%	2.5%	—

STATISTICAL SECTION

STATISTICAL SECTION
TRANSPORTATION

MINIMUM RATE TARIFF INCREASES
1981-1982 FISCAL YEAR

Transportation	Percent Increase	Dollar Increase (In Thousands)
Livestock MRT 3-A	8.0	$ 1,032
Household Goods MRT 4-B	9.6	12,000
Autos MRT 12-A	4.75	1,700
Bulk Agricultural Commodities MRT 14-A	7.0	7,500
Dump Truck MRT 7-A	5.0	13,700
MRT 17-A		3,900
MRT 20		2,166

TARIFF & LICENSE BRANCH
STATISTICS SECTION

Tariff and Contract Filings	Number of Carriers
Adopted Minimum Rate Tariffs and Transition Tariffs	2781
Participate in Bureau or Agency Tariffs	1371
Publish Own Tariffs	132
File Subhaul Affidavits	4342
Contracts (Other Than Rate Reductions and Me Too)	9492
Competitive Rate Filings (Me Too)	1231

Tariff Filings	Number of Carriers	Number of Tariffs on File
Railroads	33	205
Highway Common Carriers	9121	306
Cement Carriers	177	
Express Corporations	18	118
Freight Forwarders	37	41
Vessels	9	10
Pipelines	6	23
Carloading Companies	1	1

Transportation

INSURANCE AND BOND FILINGS OF HIGHWAY CARRIERS OF PROPERTY

Public Liability and Property Damage	29,324
Cargo Insurance (Household Goods Carriers)	1,255
Insurance Cancellations	25,139
Insurance Reinstatements	3,275
Surety Bond and C.O.D. Bonds	1,103
TOTAL	60,096

HIGHWAY CARRIER OPERATING AUTHORITIES PROCESSING OF HIGHWAY CARRIER PERMITS AND CERTIFICATION IN FISCAL 1981-1982 INCLUDES:

Permits	
New Permits	5179
Transfers	1450
Revocations	4676
Motor Transportation	
Broker Licenses	1
TOTAL	11,306
Certificates	
New Certificates and Extensions	26
Revocations	884
Transfers	96
TOTAL	1,006

SUMMARY OF ROAD CHECKS (Intrastate)

	Number
Road Checks	10
Carriers Reviewed	753
Violations Disclosed	89
Man-Days at Check Site	21

DISTRICT OFFICE ACTIVITIES

	Amount
Telephone Inquiries	124,286
In Person Inquiries	34,301
Applications for New Operative Authority Processed	3,361
Amendments of Existing Operating Authority Processed	171
Remittances Processed (fees, fines, penalties, etc.)	$1,163,333

SUMMARY OF INVESTIGATIONS COMPLETED

	Number
OPERATING AUTHORITY	
Highway Carriers of Property	1,230
Charter Party Passenger Carriers	244
RATE AND TARIFF	
Highway Carriers of Property	3,422
Industrial Locations	121
Surety Bond Investigations	533
Total Investigations	5,550

SUMMARY OF INFORMAL COMPLAINTS

	Number	Amount
Delinquent Subhaul Monies Secured from Prime Carriers	155	286,283
Household Goods Carrier Complaints	599	
Property Complaints other than Household Goods	941	
Household Goods Overcharge Settlements	178	53,268
Other Property Overcharge Settlements	33	5,146
Household Goods Loss & Damage Settlements	60	19,485
Other Property Loss & Damage Settlements	52	18,022
Household Goods Carrier Fines	34	4,313

INFORMAL DISCIPLINARY ACTIONS

Type of Action	Number	Amount	Fines Assessed
Carrier Conferences			
Certificated	73		
Radial & Contract	196		
Household Goods	51		
Dump	53		
Other	68		
TOTAL	441		
District Attorney Citations			
Certificated	0		
Radial & Contract	17		
Household Goods	3		
Dump	6		
Other	3		
TOTAL	29		
Misdemeanor Convictions			
Certificated	0		0
Radial & Contract	13		3,290
Household Goods	1		100
Dump	7		1,510
Other	8		2,315
TOTAL	29		7,215
Undercharge Letters	37	$18,105	
Overcharge Letters	14	5,899	
Citation Forfeitures	133		76,400
Undercharge Citations	26		103,782

FORMAL INVESTIGATION PROCEEDINGS

Formal Cases submitted 11. O.I.I.'s issued by the Commission 6.

FORMAL DISCIPLINARY ACTIONS

Decisions 10 Totaling: $23,250.00 Punitive; $187,654.18 Undercharges; $19,862.72 Underpayments to Subhaulers; $21,104.58 Other; $187,654.18.
Totaling $439,525.66 in fines ordered.
Collected from Formal Cases $51,751.93

NUMBER OF SHIPMENTS COMPLETED

	Undercharge Formal	Undercharge Citation	Priority	Non-Priority	Rate Quotes
RAU	231	1,608	640	375	56

GRADE CROSSING ACCIDENTS

	Number of Accidents	Persons Killed	Persons Injured
Vehicle-Train Accidents			
At public crossings	392	29	133
At private crossings	40		2
Between crossings	1		
TOTAL	433	29	135
Other Accidents			
Miscellaneous	11	1	
Pedestrian Accidents	8	2	4
Total Other Accidents	19	3	4
Total Accidents	452	32	139

Notes:
"Vehicle" includes automobile, bus, truck, or motorcycle.
"Between Crossings" accidents take place where railroad trains operate longitudinally on paved streets.
"Miscellaneous" includes: First, all vehicles which had no contact with the train, but struck track maintenance equipment; second, those accidents where the train struck a bicycle, farm tractor or similar conveyance.

SUMMARY OF GRADE SEPARATION PROGRAM
1981-82 FISCAL YEAR

Name of Project	Local Agency	RR	State's Share
Marconi Ave., OH	Sacramento	SP-STDA	$ 3,730,400
Niles-Pleasanton	Alameda County	SP-WP	5,000,000
Arden Way, OH	Sacramento	SP-STDA	*2,107,962
SUPPLEMENTALS			4,161,638
			$15,000,000

*Total amount requested $3,820,000

AUTOMATIC PROTECTION INSTALLED AT GRADE CROSSINGS—1981

County	Column I New Crossings With Automatic Protection	Column II Initial and Improved Automatic Protection	Column III Automatic Gates (Included in Columns I & II)
Alameda	-	4	2
Butte	1	-	1
Contra Costa	-	4	2
Fresno	1	4	4
Glenn	-	1	1
Humboldt	-	3	3
Kern	1	1	2
Kings	1	-	1
Lassen	-	1	-
Los Angeles	3	20	19
Madera	-	2	2
Marin	2	-	2
Merced	-	4	4
Orange	2	5	4
Plumas	-	1	1
Riverside	-	3	2
Sacramento	1	3	1
San Benito	-	1	1
San Bernardino	-	2	2
San Francisco	-	1	-
San Joaquin	-	17	13
San Luis Obispo	1	2	3
San Mateo	-	2	1
Santa Barbara	-	1	1
Santa Clara	-	5	5
Shasta	-	1	1
Solano	-	2	2
Sonoma	-	2	2
Stanislaus	-	7	5
Tehama	-	2	2
Tulare	1	6	6
Ventura	1	1	1
Yolo	2	1	3
Total	18	125	114

SUMMARY OF ALLOCATIONS FROM CROSSING PROTECTION FUND AS OF JUNE 30, 1982

Action On Request	Number of Requests	Estimated Cost	Total Allocation Requests	Allocations to Cities-Counties
Approved	2,894	$60,412,661	$14,085,201	$13,551.597
Denied	39	410,479	98,694	—
Pending	2	157,024	33,825	—
Total Requests Filed	2,935	$60,980,164	$14,217,720	$13,551,597
Returned to Fund (Final Cost Less than Allocation)				$1,446,321
Net Amount Allocated to Cities & Cos				$12,105,276
Total Amount Appropriated				$12,700,000
Balance in Fund Unallocated				$594,724
Pending Allocation Requests				$33,825
Balance in Fund				$560,899

SAFETY PROGRAMS—RAILROAD OPERATIONS

The table below summarizes the staff functions in dealing with problems and in obtaining compliance with several State statutes and Commission General Orders applying to the health and safety of common carrier railroads, operating and non-operating employees, passengers, and the public.

	1977-78	1978-79	1979-80	1980-81	1981-82
1. Accident Reports analyzed and tabulated (calendar year)	3326	3680	3235	3180	3025
2. Accidents investigated in detail (calendar year)	212	273	187	213	175
3. Impaired clearance conditions processed	1254	1704	1470	825	533
4. Walkways and other unsafe conditions processed	2057	2560	2047	1686	1057
* 5. Informal Complaints filed	268	222	180	238	158
Informal Complaints closed					872
** 6. Supplemental Surveys	—	—	—	—	50
Items open ton process	—	—	—	—	1196
*** 7. Federal Safety Standards Unit					
Equipment Inspections	—	—	—	—	248
Track Inspections	—	—	—	—	76

* High number of IC's closed represents a large number of caboose complaints closed by Commission decision process.

** Supplemental surveys are replacing items in 3 and 4 above.
Items 3 and 4 above were based on making general surveys of entire railroad divisions in locating and processing GO 118 and GO 26D items. The concept of making general surveys has been eliminated in favor of making smaller surveys known as supplemental surveys. This concept developed as manpower and resources were not available to continue the scale of work required in making General Surveys.

*** Federal/State Safety Unit Staff formed after 7/1/81.
Statistics represent an average 6 months activity.

1981-82 DECISIONS GRANTING NEW COMMON CARRIER CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR PASSENGER STAGE SERVICES

NEW RECREATIONAL AND SIGHTSEEING PASSENGER STAGE SERVICES

Application Number	Decision Number	Certificate Issued To	For Services Between
59990	93553	Yellow Cab Co.	Disneyland Area, et al.
60094	93801	Pinetree Service Corp.	Los Angeles et al.
60095	93175	Gray Line Tours Co.	L.A. to Wax Museum, Buena Park
60096	93143	Gray Line Tours Co.	L.A. to Hughes Flying Boat, Long Beach
60171	93175	Gray Line Tour Co.	Extended routes, Newport-Balboa Territory
60234	93546	Starline Sightseeing Tours, Inc.	Extended routes, L.A. et al.
60397	93385	A Closer Look, Inc.	S.F. et al.
60399	93225	M.L. Davis (Davis Dive Tours)	S.F. and Fort Ross
60466	82-03-024	Orange Coast Sightseeing Co.	Extended routes, L.A.
60520	82-02-098	Sundance Stage Lines	San Diego, et al.
60561	93349	G.H. Estig et al.	Watt Ave., Sacramento & American River Raft Rentals
60650	82-04-090	Tiffany Tours and Travel Service	L.A. International Airport and points in L.A.
60725	93643	Flamingo Tours, Inc.	L.A. et al.
60774	82-02-096	Orange Coast Sightseeing Co.	Anaheim-Buena Park and Long Beach Harbor
60822	93868	R.S. Jagelski	San Jose, et al.
60968	93880	Holiday Tours, Inc.	S.F. and Tiburon
61018	82-01-047	Commuter Bus Lines, Inc.	Santa Anita Race Track and Long Beach, et al.

1981-82 DECISIONS GRANTING NEW COMMON CARRIER CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR PASSENGER STAGE SERVICES

NEW AIRPORT ACCESS PASSENGER STAGE SERVICES

Application Number	Decision Number	Certificate Issued To	For Services Between
59947	93327	R.E. Parks (Parkway Stage)	Vacaville et al, and S.F. International Airport
60442	93608	L.R. Munoz	Ontario International Airport and Grand Terrace, et al.
60885	82-03-089	Great American Stageline, Inc.	Moorpark, et al, and L.A. International Airport
60906	82-03-028	Airport Service, Inc.	Extended route, Mission Viejo

1981-82 DECISIONS GRANTING NEW COMMON CARRIER CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR PASSENGER STAGE SERVICES

NEW "HOME-TO-WORK" PASSENGER STAGE SERVICES

Application Number	Decision Number	Certificate Issued To	For Services Between
60389	93240	F & M Mini-Bus Corp.	Redwood City and San Francisco
60655	93355	A. Sweet	S.F. & Mare Island
60664	93613	J.B. DeRego	Aptos, et al and Scotts Valley
60668	93356	W.T. Childs (Fairfield Area Rapid Transit)	Solano County and S. F.
60695	93409	D. Dulay, Jr.	Delano and Visalia
60751	93576	W.L. Parker, et al	Apple Valley et al & Fort Irwin
60778	93692	George E. McManus (Airport Commuter)	Concord, et al.
60814	93867	Arrow Transit	Points in San Diego County
60941	93719	A. de Hoyos Barrera	Orland and Willows
60956	93660	Private Industry Council of Ventura County	Oxnard, et al and Ventura, et al
61070	82-01-088	J.W. Boyd	Novato and Oakland

1981-82 DECISIONS GRANTING NEW COMMON CARRIER CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY FOR PASSENGER STAGE SERVICES

NEW INTERCITY PASSENGER STAGE SERVICES

Application Number	Decision Number	Certificate Issued To	For Services Between
60404	93329	C.A. Hodge, et al (Conejo Coach)	Thousand Oaks and L.A.
60414	93357	Campesinos Unidos, Inc.	Holtville and Imperial Valley College
60472	93446	Marin Center for Independent Living	Points in Marin County
60496	93359	A. Cook (Desert Stage Lines)	29 Palms Marine Corps Base and Victorville
60576	93605	The Bus That Goes in Circles, Inc.	Coronado, et al and L.A.
60631	93352	San Luis Transportation, Inc.	San Luis Obispo County (Avila Beach and Port San Luis)
60718	82-02-097	The Town Tour Funbus Co. (Funbus Systems)	Points in Orange County and Long Beach
60732	93457	Storer Transit Systems	Modesto et al and Denair
60880	82-03-088	Fillmore Area Transit Corp.	Points in Ventura County
61083	82-01-089	Quicksilver Stage Lines	Extended routes, Mammoth Lakes Village and Mono County

1981-82 FARE INCREASES AUTHORIZED SURFACE PASSENGER CARRIERS

			ESTIMATED ANNUAL INTRASTATE REVENUES	
Application Number	Decision Number		Under Present Fares	Under Fares Authorized
58702	91045	Mark IV Charter Lines, Inc.	$ 95,680	$ 124,800
59526	93237	WC Trader (Overland Stage Line)	121,000	165,000
59701	92526	PSPA Corp. (Ariport Connection of Sunnyvale	491,928	536,560
59719	92333	R. Beauchane (Airport Transp. Serv.)	201,000	240,000
59857	92683	B. Hickey	52,300	62,800
60020	92840	So. Calif. Commuter Bus Serv. Inc.	368,784	443,664
60112	93330	C.R. Hernandez	8,400	13,650
60159	93067	Commuter Bus Lines, Inc.	1,212,925	1,370,870
60213	93296	Government Services, Inc.	28,963	33,895
60218	93551	Evans Airport Service, Inc.	225,600	261,600
60310	93238	Mt. Lassen Motor Trans. Inc.	64,500	67,000
60312	93440	N.S. Burnett	58,477	95,500
60377	93239	Airport Transportation Co.	194,204	266,076
60440	93351	Lorrie's Travel & Tours, Inc.	1,258,107	1,446,310
60455	93508	H. Tourist, Inc. (vessel)	7,100,000	7,881,000
60463	93573	O'Connor Limo Service, Inc.	176,340	296,071
60487	93550	P.R. Artac	35,860	50,000
60488	93720	R.K. Matheny	48,783	63,000
60531	93620	Harrell's Tours	19,354	30,294
60536	93223	SFO Airporter, Inc.	4,537,100	5,487,600
60583	82-04-035	Tiffany Tours & Travel Service	226,631	275,680
60585	93243	Gray Line Tours Co.	22,211,000	23,376,000
60628	93806	Ready Tour Corp.	24,400	28,500
60633	93612	Yellow Cab Co.	269,556	332,639
60663	93522	NRS, Inc.	223,352	280,530
60712	93706	Eureka Redding Stages, Inc.	320,500	341,900
60815	82-04-059	W.D. Breland	29,560	42,210
60830	82-01-31	1st Navigation Co., Inc.	106,571	146,383
60853	93711	Orange Coast Sightseeing, Inc.	1,766,000	1,916,000
60854	93712	Airport Service, Inc.	11,754,000	12,736,000
60967	82-04-059	Santa Rosa Airporter, Inc.	445,000	544,000
60972	82-01-036	24 Hour Airport Exp., Inc.	1,659,722	1,763,962
61013	93825	Gray Line Tours Co.	24,019,000	25,233,000
61114	82-04-097	Sonoma Co. Airport Exp.	195,273	234,328
61120	82-03-082	So. Calif. Commuter Bus Serv. Inc.	394,580	429,224

APPENDIX

UTILITIES AND CARRIERS UNDER COMMISSION JURISDICTION

Electric Utilities	12
Gas Utilities	5
Telephone	25
Telegraph	1
Mobile Radiotelephone Utilities	52
Water Utilities	320
Sewers	18
Steam Heat Utilities	2
Specialized Carriers-Microwave	1
Pipelines	5
Commercial Air Operators	1,563
Charter-Party Carriers, Certificated	244
Charter-Party Carriers, Permits	792
Passenger Stages	327
Highway Common Carriers, Certificated	9,121
Cement Carriers, Certificated	177
Car Loading Companies	1
Freight Forwarders (except by air)	41
Express Corporations	15
Railroads	34
Inland Passenger Water Carriers, Certificated	22
Inland Water-Carriers, For-Hire	350
Vessels, Freight, Certificated	9

Permits in force, June 30, 1982 (Highway contract carriers, cement contract carriers, household goods carriers, dump truck carriers, livestock carriers, heavy specialized carriers, agricultural carriers, tank truck carriers, vacuum truck carriers, and seasonal agricultural and livestock carriers.) 37,713
These permits are held by 22,505 for-hire truck operators.

PUBLIC UTILITIES COMMISSION
State of California

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